

Commonwealth of Kentucky

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,525,445,500	9,225,006,900	7,602,089,700	8,268,714,200
Special Appropriation			424,800	428,000
Continuing Appropriation	100,659,700	74,593,800	66,525,700	41,142,900
Total General Fund	<u>8,626,105,200</u>	<u>9,299,600,700</u>	<u>7,669,040,200</u>	<u>8,310,285,100</u>
Tobacco Settlement-Phase I				
Tobacco Settlement - I	113,704,800	114,790,100	108,140,000	108,600,000
Continuing Appropriation	35,349,200	38,208,600	35,874,300	5,252,400
Fund Transfers			-27,043,900	
Total Tobacco Settlement-Phase I	<u>149,054,000</u>	<u>152,998,700</u>	<u>116,970,400</u>	<u>113,852,400</u>
Restricted Funds				
Balance Forward	272,544,447	215,018,494	308,817,500	209,563,850
Current Receipts	3,321,445,000	3,425,564,800	3,505,171,200	3,430,384,300
Non-Revenue Receipts	648,119,100	672,397,300	675,942,300	701,830,200
Fund Transfers			-57,739,200	-91,843,200
Total Restricted Funds	<u>4,242,108,547</u>	<u>4,312,980,594</u>	<u>4,432,191,800</u>	<u>4,249,935,150</u>
Federal Funds				
Balance Forward	22,715,099	12,386,199	62,375,000	10,643,600
Current Receipts	6,056,348,500	6,299,846,600	6,223,692,800	6,150,433,600
Non-Revenue Receipts	648,742,200	647,695,700	648,946,100	647,493,900
Total Federal Funds	<u>6,727,805,799</u>	<u>6,959,928,499</u>	<u>6,935,013,900</u>	<u>6,808,571,100</u>
Road Fund				
Regular Appropriation	1,146,605,100	1,169,931,700	1,128,920,600	1,151,721,200
Total Road Fund	<u>1,146,605,100</u>	<u>1,169,931,700</u>	<u>1,128,920,600</u>	<u>1,151,721,200</u>
Highway Bonds				
Highway Bonds			450,000,000	
Total Highway Bonds			<u>450,000,000</u>	
TOTAL SOURCE OF FUNDS	<u>20,891,678,646</u>	<u>21,895,440,193</u>	<u>20,732,136,900</u>	<u>20,634,364,950</u>
EXPENDITURES BY CLASS				
Personnel Cost	4,755,682,403	5,091,078,174	4,497,405,100	4,763,764,500
Operating Expenses	2,176,839,450	2,252,998,350	2,024,610,700	2,062,906,600
Grants, Loans or Benefits	11,958,054,500	12,480,495,200	11,866,416,700	11,892,502,700
Debt Service	642,408,700	749,526,500	555,524,100	726,768,400
Capital Outlay	160,689,600	157,158,100	146,684,900	142,759,200
Construction	853,949,100	846,135,600	1,351,144,000	859,667,600
TOTAL EXPENDITURES	<u>20,547,623,753</u>	<u>21,577,391,924</u>	<u>20,441,785,500</u>	<u>20,448,369,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	8,551,511,400	9,239,275,600	7,604,090,000	8,271,395,700
Tobacco Settlement-Phase I	110,855,400	111,452,500	111,718,000	113,852,400
Restricted Funds	4,027,090,053	4,113,857,824	4,222,686,600	4,112,538,800
Federal Funds	6,712,259,900	6,942,981,600	6,924,370,300	6,798,860,900
Road Fund	1,146,605,100	1,169,931,700	1,128,920,600	1,151,721,200
Highway Bonds			450,000,000	
TOTAL EXPENDITURES	<u>20,548,321,853</u>	<u>21,577,499,224</u>	<u>20,441,785,500</u>	<u>20,448,369,000</u>
EXPENDITURES BY UNIT				

Executive Branch	20,245,569,953	21,235,731,524	20,159,455,900	20,153,717,800
Legislative Branch	45,358,100	47,068,200	45,681,100	46,822,300
Judicial Branch	257,393,800	294,699,500	236,648,500	247,828,900
TOTAL EXPENDITURES	20,548,321,853	21,577,499,224	20,441,785,500	20,448,369,000

Executive Branch

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,243,828,100	8,905,471,000	7,340,894,600	7,995,294,800
Special Appropriation			424,800	428,000
Continuing Appropriation	89,781,200	68,342,000	56,647,200	35,891,100
Total General Fund	<u>8,333,609,300</u>	<u>8,973,813,000</u>	<u>7,397,966,600</u>	<u>8,031,613,900</u>
Tobacco Settlement-Phase I				
Tobacco Settlement - I	113,704,800	114,790,100	108,140,000	108,600,000
Continuing Appropriation	35,349,200	38,208,600	35,874,300	5,252,400
Fund Transfers			-27,043,900	
Total Tobacco Settlement-Phase I	<u>149,054,000</u>	<u>152,998,700</u>	<u>116,970,400</u>	<u>113,852,400</u>
Restricted Funds				
Balance Forward	264,988,147	210,800,594	301,261,200	205,345,950
Current Receipts	3,317,096,800	3,421,087,300	3,500,253,100	3,424,729,100
Non-Revenue Receipts	642,394,400	666,716,900	670,787,500	697,327,500
Fund Transfers			-57,739,200	-91,843,200
Total Restricted Funds	<u>4,224,479,347</u>	<u>4,298,604,794</u>	<u>4,414,562,600</u>	<u>4,235,559,350</u>
Federal Funds				
Balance Forward	22,715,099	12,386,199	62,375,000	10,643,600
Current Receipts	6,053,252,000	6,298,242,400	6,220,596,300	6,148,829,400
Non-Revenue Receipts	648,742,200	647,695,700	648,946,100	647,493,900
Total Federal Funds	<u>6,724,709,299</u>	<u>6,958,324,299</u>	<u>6,931,917,400</u>	<u>6,806,966,900</u>
Road Fund				
Regular Appropriation	1,146,605,100	1,169,931,700	1,128,920,600	1,151,721,200
Total Road Fund	<u>1,146,605,100</u>	<u>1,169,931,700</u>	<u>1,128,920,600</u>	<u>1,151,721,200</u>
Highway Bonds				
Highway Bonds			450,000,000	
Total Highway Bonds			<u>450,000,000</u>	
TOTAL SOURCE OF FUNDS	<u>20,578,457,046</u>	<u>21,553,672,493</u>	<u>20,440,337,600</u>	<u>20,339,713,750</u>
EXPENDITURES BY CLASS				
Personnel Cost	4,558,144,203	4,875,980,074	4,305,587,800	4,558,310,200
Operating Expenses	2,076,113,150	2,129,366,650	1,936,877,700	1,974,839,000
Grants, Loans or Benefits	11,958,054,500	12,480,495,200	11,866,416,700	11,892,502,700
Debt Service	642,408,700	749,526,500	555,524,100	726,768,400
Capital Outlay	156,702,200	154,120,200	143,905,600	141,629,900
Construction	853,949,100	846,135,600	1,351,144,000	859,667,600
TOTAL EXPENDITURES	<u>20,245,371,853</u>	<u>21,235,624,224</u>	<u>20,159,455,900</u>	<u>20,153,717,800</u>
EXPENDITURES BY FUND SOURCE				
General Fund	8,265,267,300	8,913,487,900	7,338,268,200	7,992,724,500
Tobacco Settlement-Phase I	110,855,400	111,452,500	111,718,000	113,852,400
Restricted Funds	4,013,678,753	4,099,482,024	4,209,275,300	4,098,163,000
Federal Funds	6,709,163,400	6,941,377,400	6,921,273,800	6,797,256,700
Road Fund	1,146,605,100	1,169,931,700	1,128,920,600	1,151,721,200
Highway Bonds			450,000,000	
TOTAL EXPENDITURES	<u>20,245,569,953</u>	<u>21,235,731,524</u>	<u>20,159,455,900</u>	<u>20,153,717,800</u>
EXPENDITURES BY UNIT				
General Government	657,916,953	677,304,924	695,757,400	660,759,100
Commerce Cabinet	217,880,700	238,102,200	196,631,200	206,929,700
Economic Development Cabinet	32,615,900	33,325,800	20,769,200	27,611,400

Department of Education	3,913,292,600	4,023,999,300	3,721,883,800	4,023,169,000
Education Cabinet	1,257,136,200	1,268,733,100	1,205,284,100	1,252,790,500
Environmental and Public Protection Cabinet	676,139,200	688,804,100	627,238,400	620,848,600
Finance and Administration Cabinet	570,438,200	590,434,800	504,237,500	544,183,700
Health and Family Services Cabinet	6,344,196,300	6,703,390,200	6,223,131,500	6,113,034,700
Justice and Public Safety Cabinet	816,445,000	870,817,300	709,989,600	733,018,700
Personnel Cabinet	48,415,700	53,486,600	72,368,000	105,728,900
Postsecondary Education	3,939,977,800	4,291,384,800	3,789,674,900	4,040,964,000
Transportation Cabinet	1,771,115,400	1,795,948,400	2,392,490,300	1,824,679,500
TOTAL EXPENDITURES	20,245,569,953	21,235,731,524	20,159,455,900	20,153,717,800

General Government

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	280,923,800	318,981,600	252,183,800	263,802,500
Special Appropriation			424,800	95,000
Continuing Appropriation	26,857,600	6,961,400		626,300
Total General Fund	307,781,400	325,943,000	252,608,600	264,523,800
Tobacco Settlement-Phase I				
Tobacco Settlement - I	37,599,500	38,156,500	39,195,900	29,899,300
Continuing Appropriation	29,945,100	32,804,500	30,903,600	5,252,400
Fund Transfers			-27,000,000	
Total Tobacco Settlement-Phase I	67,544,600	70,961,000	43,099,500	35,151,700
Restricted Funds				
Balance Forward	47,171,447	39,493,594	42,314,300	29,604,850
Current Receipts	109,859,900	109,794,700	109,809,000	111,689,300
Non-Revenue Receipts	25,052,900	26,080,900	32,544,000	27,870,800
Fund Transfers			-3,350,200	-1,300,000
Total Restricted Funds	182,084,247	175,369,194	181,317,100	167,864,950
Federal Funds				
Balance Forward	17,208,799	6,978,799	15,539,000	5,312,400
Current Receipts	172,086,900	176,657,900	246,240,300	216,892,700
Non-Revenue Receipts	-2,560,700	-2,556,000	-3,000,000	-3,000,000
Total Federal Funds	186,734,999	181,080,699	258,779,300	219,205,100
Road Fund				
Regular Appropriation			600,000	600,000
Total Road Fund			600,000	600,000
TOTAL SOURCE OF FUNDS	744,145,246	753,353,893	736,404,500	687,345,550
EXPENDITURES BY CLASS				
Personnel Cost	230,261,603	247,209,174	217,924,000	234,731,300
Operating Expenses	120,505,650	115,293,050	98,778,700	97,312,900
Grants, Loans or Benefits	295,894,200	289,910,800	369,122,500	310,974,600
Debt Service	3,210,000	20,861,000	468,000	13,576,000
Capital Outlay	2,075,900	2,025,800	1,846,600	2,159,300
Construction	5,969,500	2,005,000	7,617,600	2,005,000
TOTAL EXPENDITURES	657,916,853	677,304,824	695,757,400	660,759,100
EXPENDITURES BY FUND SOURCE				
General Fund	300,820,000	325,448,300	251,982,300	263,897,500
Tobacco Settlement-Phase I	34,750,100	34,818,900	37,847,100	35,151,700
Restricted Funds	142,590,653	141,977,324	151,861,100	146,267,200
Federal Funds	179,756,200	175,060,400	253,466,900	214,842,700
Road Fund			600,000	600,000
TOTAL EXPENDITURES	657,916,953	677,304,924	695,757,400	660,759,100

General Government
Executive Office of the Governor

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	13,194,600	13,504,400	8,718,800	12,214,500
Total General Fund	13,194,600	13,504,400	8,718,800	12,214,500
Restricted Funds				
Balance Forward	3,153,100	1,843,800	3,529,000	530,000
Non-Revenue Receipts	238,900	156,000	323,200	388,200
Fund Transfers			-72,100	
Total Restricted Funds	3,392,000	1,999,800	3,780,100	918,200
Federal Funds				
Current Receipts			30,000,000	40,000,000
Total Federal Funds			30,000,000	40,000,000
Road Fund				
Regular Appropriation			350,000	350,000
Total Road Fund			350,000	350,000
TOTAL SOURCE OF FUNDS	16,586,600	15,504,200	42,848,900	53,482,700
EXPENDITURES BY CLASS				
Personnel Cost	11,549,300	11,831,400	10,317,500	11,540,000
Operating Expenses	2,876,500	2,830,200	2,470,700	2,706,700
Grants, Loans or Benefits	317,000	317,000	29,450,700	38,943,000
Capital Outlay			80,000	
TOTAL EXPENDITURES	14,742,800	14,978,600	42,318,900	53,189,700
EXPENDITURES BY FUND SOURCE				
General Fund	13,194,600	13,504,400	8,718,800	12,214,500
Restricted Funds	1,548,200	1,474,200	3,250,100	625,200
Federal Funds			30,000,000	40,000,000
Road Fund			350,000	350,000
TOTAL EXPENDITURES	14,742,800	14,978,600	42,318,900	53,189,700
EXPENDITURES BY UNIT				
Office of the Governor	9,387,900	9,418,500	38,066,400	48,503,900
Office of State Budget Director	5,054,900	5,260,100	4,127,500	4,560,800
State Planning Fund	300,000	300,000	125,000	125,000
TOTAL EXPENDITURES	14,742,800	14,978,600	42,318,900	53,189,700

The Governor serves as the chief administrator of the state and, in addition to other powers and duties, acts as Commander-in-Chief of all state military forces, appoints executive officers and members of boards and commissions, and has the power to grant pardons and commutations. As chief administrator of Kentucky, the Governor ensures that state government provides needed services to the citizens of the Commonwealth at minimum cost to the taxpayers.

General Government
Executive Office of the Governor
Office of the Governor

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,783,700	8,814,300	6,308,300	7,765,700
Total General Fund	8,783,700	8,814,300	6,308,300	7,765,700
Restricted Funds				
Balance Forward	1,311,100	945,800	1,084,900	
Non-Revenue Receipts	238,900	156,000	323,200	388,200
Total Restricted Funds	1,550,000	1,101,800	1,408,100	388,200
Federal Funds				
Current Receipts			30,000,000	40,000,000
Total Federal Funds			30,000,000	40,000,000
Road Fund				
Regular Appropriation			350,000	350,000
Total Road Fund			350,000	350,000
TOTAL SOURCE OF FUNDS	10,333,700	9,916,100	38,066,400	48,503,900
EXPENDITURES BY CLASS				
Personnel Cost	7,398,400	7,478,700	6,997,000	7,786,500
Operating Expenses	1,974,500	1,924,800	1,666,400	1,902,400
Grants, Loans or Benefits	15,000	15,000	29,323,000	38,815,000
Capital Outlay			80,000	
TOTAL EXPENDITURES	9,387,900	9,418,500	38,066,400	48,503,900
EXPENDITURES BY FUND SOURCE				
General Fund	8,783,700	8,814,300	6,308,300	7,765,700
Restricted Funds	604,200	604,200	1,408,100	388,200
Federal Funds			30,000,000	40,000,000
Road Fund			350,000	350,000
TOTAL EXPENDITURES	9,387,900	9,418,500	38,066,400	48,503,900
EXPENDITURES BY UNIT				
Governor	7,008,700	7,334,800	5,254,600	5,352,800
Governor's Office Expense Allowance	21,000	21,000	21,000	21,000
Lieutenant Governor	434,000	461,200	402,900	425,400
Lt. Governor's Expense Allowance	12,000	12,000	12,000	12,000
Secretary of the Cabinet	1,039,400	1,090,900	967,000	992,600
Kentucky Commission on Military Affairs	872,800	498,600	317,900	317,900
Office of Homeland Security			30,700,000	40,700,000
Office of Minority Empowerment			294,000	294,000
Washington DC Office			97,000	388,200
TOTAL EXPENDITURES	9,387,900	9,418,500	38,066,400	48,503,900

The Governor serves as the chief administrator of the Commonwealth and, in addition to other powers and duties, acts as Commander-in-Chief of all state military forces, makes appointments for vacancies to executive offices and memberships on boards and commissions authorized by statute, and has the power to grant pardons and commutations. As chief administrator of Kentucky, the Governor ensures that state government provides needed services to the citizens of the Commonwealth at minimum cost to the taxpayer.

The Lieutenant Governor is a constitutional officer elected jointly with the Governor. The Lieutenant Governor is to assume the duties and responsibilities of the Office of the Governor should the Governor be impeached or removed from Office, die, fail to qualify, resign, or be unable to discharge the duties of that office. Additional duties of the Lieutenant Governor include serving on various boards and commissions, serving on Kentucky delegations to several interstate compact commissions, and appointing members to various boards.

The Secretary of the Executive Cabinet develops and implements the major program decisions for the Executive Branch of government. As part of these duties, the Secretary of the Cabinet oversees the administration of the various cabinets and agencies of state government and coordinates legislative policy for the Governor. This role promotes cooperation and coordination among all agencies and programs of state government.

The Military Affairs Commission (KRS 154.12-203) has been a part of the Office of the Governor since 1996. The commission serves in an advisory capacity to the Governor, the General Assembly, the Kentucky Congressional Delegation, and other appropriate government officials. This commission is designed to continue state support of the U.S. military's widespread presence in Kentucky and to recognize its contribution to the economy and well-being of the Commonwealth. Among the installations and operations eligible for support are: Fort Knox, Fort Campbell, Bluegrass Station in Lexington, National Guard and Reserve operations throughout the state, and Bluegrass Army Depot in Richmond.

Policy

The Kentucky Coal Council and the Office of Coal Marketing and Export (KRS 154.12-250) were transferred from the Governor's Office to the Commerce Cabinet by Executive Order 2003-064. These transfers were ratified by Senate Bill 40 in the 2005 Session.

The Kentucky Appalachian Commission (KRS 11.180) was transferred from the Governor's Office to the Commerce Cabinet by Executive Order 2003-064. This Commission was subsequently transferred to the Governor's Office for Local Development.

The Governor's Office of Child Abuse and Domestic Violence Services (KRS 12.350) was transferred from the Governor's Office to the Health and Family Services Cabinet by Executive Order 2003-064. This transfer was ratified by Senate Bill 47 in the 2005 Session.

Senate Bill 42 established the Office for Minority Empowerment within the Office of the Governor in the 2005 Session.

Executive Order 2004-530 created the Office of Homeland Security within the Office of the Governor. Senate Bill 44 was to ratify this Executive Order but it failed to pass the 2005 General Assembly.

House Bill 383 created the Office of Faith-Based services within the Governor's Office. There was no money appropriated for this purpose. Initial funding is expected to be provided from existing resources. Full funding for this office will be requested next biennium.

Included in the [Budget of the Commonwealth](#) is a General Fund appropriation in the amount of \$7,500 in fiscal year 2004-2005 and \$30,000 in fiscal year 2005-2006 for the Lieutenant Governor's Office for an allowance of up to \$2,500 monthly, to include \$1,000 as a housing allowance and \$1,500 if additional duties are performed. The allowance was effective April 1, 2005.

The Governor's Scholars Program, formerly in the Education, Arts and Humanities Cabinet, was administratively attached to the Office of the Governor by the 2005 Session of the General Assembly through the passage of Senate Bill 134. The budgeted resources for this program are displayed in this document under the Education Cabinet.

**General Government
Executive Office of the Governor
Office of State Budget Director**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,110,900	4,390,100	2,285,500	4,323,800
Total General Fund	4,110,900	4,390,100	2,285,500	4,323,800
Restricted Funds				
Balance Forward	1,842,000	898,000	2,444,100	530,000
Fund Transfers			-72,100	
Total Restricted Funds	1,842,000	898,000	2,372,000	530,000
TOTAL SOURCE OF FUNDS	5,952,900	5,288,100	4,657,500	4,853,800
EXPENDITURES BY CLASS				
Personnel Cost	4,150,900	4,352,700	3,320,500	3,753,500
Operating Expenses	902,000	905,400	804,300	804,300
Grants, Loans or Benefits	2,000	2,000	2,700	3,000
TOTAL EXPENDITURES	5,054,900	5,260,100	4,127,500	4,560,800
EXPENDITURES BY FUND SOURCE				
General Fund	4,110,900	4,390,100	2,285,500	4,323,800
Restricted Funds	944,000	870,000	1,842,000	237,000
TOTAL EXPENDITURES	5,054,900	5,260,100	4,127,500	4,560,800
EXPENDITURES BY UNIT				
Budget & Policy Analysis	3,831,400	3,961,400	3,022,500	3,429,800
Gov Office for Policy Research	432,800	463,300	407,000	421,000
Gov Office for Economic Analysis	790,700	835,400	698,000	710,000
TOTAL EXPENDITURES	5,054,900	5,260,100	4,127,500	4,560,800

The Office of the State Budget Director, created in KRS 11.068, includes the Governor's Office for Policy and Management (GOPM), the Governor's Office for Policy Research (GOPR), and the Governor's Office for Economic Analysis (GOEA). Under the direction of the State Budget Director, these Offices serve as staff to the Governor, the Governor's Chief of Staff, the Secretary of the Cabinet, and the Secretary of the Finance and Administration Cabinet.

The Governor's Office for Policy and Management (GOPM) prepares the Executive Budget, the Governor's overall financial plan for state government. The preparation of the budget includes the transmittal of information and necessary forms to state agencies, assisting those agencies in the preparation of their budget requests, analyzing the requests, and making recommendations to the Governor. Following enactment of the budget by the General Assembly, GOPM helps agencies implement the appropriations acts through their expenditures for program activities.

The Governor's Office for Policy Research (GOPR) performs research and analysis on public policy issues important to the Commonwealth.

The Governor's Office for Economic Analysis (GOEA) provides timely, accurate estimates of General Fund and Road Fund receipts used to build and implement the budget. On October 15 of each odd-numbered year, a preliminary detailed estimate of revenues for the next two fiscal years is presented to the head of the budgeting agency for each branch of state government. In January following, a revised estimate is prepared and presented along with the Executive Budget recommendation to the General Assembly.

**General Government
Executive Office of the Governor
State Planning Fund**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	300,000	300,000	125,000	125,000
Total General Fund	300,000	300,000	125,000	125,000
TOTAL SOURCE OF FUNDS	300,000	300,000	125,000	125,000
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	300,000	300,000	125,000	125,000
TOTAL EXPENDITURES	300,000	300,000	125,000	125,000
EXPENDITURES BY FUND SOURCE				
General Fund	300,000	300,000	125,000	125,000
TOTAL EXPENDITURES	300,000	300,000	125,000	125,000

The State Planning Fund supports statewide planning projects designed to improve the delivery of government services. Under Chapter 147 of the Kentucky Revised Statutes, overall planning and development functions are responsibilities of the Governor's Cabinet. KRS 147.075 delegates these functions to a Cabinet committee, designated as the State Planning Committee, which fulfills these responsibilities through its management of the State Planning Fund. The State Planning Committee includes the Governor, representatives from the various program cabinets, and the State Budget Director. The Governor serves as the Chairman of the Committee and the State Budget Director serves as its Secretary. The Governor's Office for Policy and Management reviews proposed planning projects, makes recommendations for funding to the Governor and the other members of the State Planning Committee, and provides staff support to the Committee.

Policy

The Budget of the Commonwealth provides funding for the State Planning Fund beginning in fiscal year 2005 and fiscal year 2006.

General Government
Governor's Office of Agricultural Policy

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation				1,898,000
Total General Fund				1,898,000
Tobacco Settlement-Phase I				
Tobacco Settlement - I	37,599,500	38,156,500	39,195,900	24,541,300
Continuing Appropriation	29,945,100	32,804,500	30,903,600	5,252,400
Fund Transfers			-27,000,000	
Total Tobacco Settlement-Phase I	67,544,600	70,961,000	43,099,500	29,793,700
Restricted Funds				
Balance Forward	122,500	122,500	418,900	418,900
Current Receipts	520,600	515,600	520,600	515,600
Total Restricted Funds	643,100	638,100	939,500	934,500
TOTAL SOURCE OF FUNDS	68,187,700	71,599,100	44,039,000	32,626,200
EXPENDITURES BY CLASS				
Personnel Cost	1,162,500	1,231,300	1,109,700	1,118,500
Operating Expenses	290,100	285,100	290,100	285,100
Grants, Loans or Benefits	33,818,100	33,818,100	36,967,900	29,905,700
Debt Service				898,000
TOTAL EXPENDITURES	35,270,700	35,334,500	38,367,700	32,207,300
EXPENDITURES BY FUND SOURCE				
General Fund				1,898,000
Tobacco Settlement-Phase I	34,750,100	34,818,900	37,847,100	29,793,700
Restricted Funds	520,600	515,600	520,600	515,600
TOTAL EXPENDITURES	35,270,700	35,334,500	38,367,700	32,207,300

The Governor's Office of Agricultural Policy (GOAP) is the Governor's direct link to the Commonwealth's agricultural industry. The Kentucky Agricultural Development Board, the Kentucky Tobacco Settlement Trust Corporation, the Governor's Commission on Family Farms, the Kentucky Aquaculture Infrastructure Development Fund, the Kentucky Agricultural Resource Development Authority, the Governor's Tobacco Marketing and Export Advisory Council, and the Kentucky Agricultural Finance Corporation are staffed by the employees in this Office.

The Kentucky Agricultural Development Board, authorized in KRS 248.707, distributes funds received by the Commonwealth from the Tobacco Master Settlement Agreement (Phase I money). The Board invests in innovative proposals that increase net farm income and assists tobacco farmers and tobacco-impacted communities by stimulating markets, finding new ways to add value to existing products, and promoting diversification of Kentucky's agricultural economy.

The Agricultural Development Board has fifteen members, described in KRS 248.707(2). They are the Governor, Commissioner of Agriculture, secretary of the Cabinet for Economic Development, and director of the UK Cooperative Extension Service, along with eleven members appointed by the Governor to staggered terms. Those appointees include representatives of the Kentucky Farm Bureau, the Kentucky Chamber of Commerce, an attorney, an agricultural lender, and seven active farmers.

Half of Kentucky's tobacco settlement receipts are allocated to the Agricultural Development Fund. That amount is further divided between a Counties account, which receives 35% of the funds, and a State account that receives the remaining 65%. From the State account, the General Assembly has appropriated debt service for bonds to support farmland preservation

and safe drinking water, and funding for land conservation programs.

Funds in the Counties account are allocated to the 118 tobacco impacted counties according to a formula that considers a county's share of the statewide tobacco quota, the number of tobacco farms, and the proportion of the county's personal income that has historically been attributable to tobacco farming. Each county has a council of local agriculture leaders who consider applications for grants from the county's share of funds and prioritizes them for the Agricultural Development Board, which has the final grant authority for each county's funds. The Board has developed several model programs in which counties may participate. Models have been developed for diversification of products, cattle genetics improvement, handling and storage facilities, fencing, forage improvement, and water resources. Funds are provided as matching grants.

In addition to Phase I, Kentucky tobacco farmers have received annual payments from the National Tobacco Grower Settlement Trust Agreement (Phase II). Phase II money was paid to tobacco growers and quota owners to compensate them for their loss of tobacco income due to declining cigarette consumption. More than 172,000 Kentucky farmers have received Phase II payments, computed according to a formula that considers the size of last year's quota and average production and sales in 1998-2000. The Kentucky Tobacco Settlement Trust Corporation is the public agency responsible for receiving and distributing Kentucky's share of the Phase II money. As codified in KRS 248.480, the Corporation is administratively attached to the Finance and Administration Cabinet. However, the Governor's Office of Agricultural Policy provides staffing for the Corporation and assists in processing the applications from quota owners and growers.

The General Assembly wanted to insure that growers and quota owners would receive adequate compensation. To that end, they directed in KRS 248.705 that if in any year the payment from the National Tobacco Grower Settlement Trust Agreement (Phase II) was less than \$114 million, funds would be allocated to the growers from the Agriculture Development Fund (the Phase I money) to make up the difference. That means the amount available to support the Agricultural Development Board's activities, the various bond issues, and the other direct appropriations made by the General Assembly are further reduced.

In October 2004, Congress passed the Fair and Equitable Tobacco Reform Act of 2004, known as the "tobacco buyout." Manufacturers of tobacco products will be assessed by the Commodity Credit Corporation beginning in 2005 to fund a series of ten annual payments to tobacco quota holders and growers, ending the price support program for tobacco that has existed since the Great Depression. The manufacturers, citing that assessment, failed to remit the fourth quarter payment to the Phase II trustee, and filed a claim for the return of the payments they had already paid in 2004. Thus, the 2004 payment that was due to the farmers in December has not been paid. The Certification Entities of the Grower States, including the Kentucky Tobacco Settlement Trust Corporation, petitioned the North Carolina court that has jurisdiction over the trust agreement to declare that the Federal buyout does not begin until 2005 and therefore the manufacturers are not released from their obligation to pay the 2004 payments under the Phase II agreement. The court rejected that petition. The states appealed to the North Carolina Supreme Court and oral arguments took place on May 16, 2005.

The Kentucky Agricultural Finance Corporation is a *de jure* municipal corporation created in KRS 247.944 to provide access to capital for farmers and other agricultural enterprises. The Governor appoints all of the board members.

In addition to their work with Phase I and Phase II, the staff of GOAP assists the Governor's Commission on Family Farms and the Kentucky Agricultural Resource Development Authority (KARDA). The KARDA is created in KRS 11.170 as an organization of representatives from various commodity groups who inform and advise the governor on issues related to the Kentucky's agricultural economy. The Commission on Family Farms was created by executive order in April 1998 to advise the Governor on issues related to farm families and rural communities.

Policy

The Budget of the Commonwealth provides \$114 million for payment of the 2004 Phase II payments pursuant to KRS 248.705. To accomplish this, tobacco funds in the amount of \$27 million are transferred from the Governor's Office of Agricultural Policy to the General Fund, and bond funds are authorized in the amount of \$87 million in fiscal year 2005. Beginning in fiscal year 2006, tobacco funds in the amount of \$9,200,000 are provided for annual debt service on the bonds.

In order to receive the payments authorized above, Kentucky growers are required to assign to the Commonwealth their right to receive payments under the Phase II agreement. If the North Carolina court subsequently directs the manufacturers to pay the 2004 Phase II payments, those funds will accrue to the Commonwealth, up to \$114 million. Funds recovered by the Commonwealth shall be used first to pay the costs of the bonds issued above. Any remaining funds, up to \$27,000,000, shall be transferred to the Governor's Office of Agricultural Policy.

Included in the enacted budget for fiscal year 2005 is \$17,000,000 for the Kentucky Agricultural Finance Corporation from a taxable bond issue authorized in the Capital Budget. General Fund supported debt service of \$898,000 is provided in fiscal year 2006. Notwithstanding KRS 247.978(2), the total amount of principal that a qualified borrower may owe to the Kentucky Agricultural Finance Corporation at one time shall not exceed \$5,000,000.

Included in the enacted budget for fiscal year 2006 is \$1,000,000 in General Funds to support the Governor's Office of Agricultural Policy.

Notwithstanding KRS 248.711(2), counties that are allocated more than \$20,000 annually may provide up to four percent of the individual county allocation, not to exceed \$15,000 annually, to the county council for administrative costs.

**General Government
Kentucky Infrastructure Authority**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation		17,980,000		4,462,000
Total General Fund		17,980,000		4,462,000
Tobacco Settlement-Phase I				
Tobacco Settlement - I				5,358,000
Total Tobacco Settlement-Phase I				5,358,000
Restricted Funds				
Balance Forward	1,133,500	1,033,100	151,500	2,269,800
Non-Revenue Receipts	3,763,300	2,888,500	7,045,300	2,888,500
Total Restricted Funds	4,896,800	3,921,600	7,196,800	5,158,300
Federal Funds				
Balance Forward	1,321,600		1,321,600	
Current Receipts	52,000,400	53,339,000	52,000,400	53,339,000
Non-Revenue Receipts	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Total Federal Funds	50,322,000	50,339,000	50,322,000	50,339,000
TOTAL SOURCE OF FUNDS	55,218,800	72,240,600	57,518,800	65,317,300
EXPENDITURES BY CLASS				
Personnel Cost	2,821,600	2,896,300	2,684,400	2,688,900
Operating Expenses	301,000	301,200	301,000	301,200
Grants, Loans or Benefits	51,033,100	51,033,100	52,233,600	52,132,800
Debt Service		17,980,000		9,820,000
Capital Outlay	30,000	30,000	30,000	30,000
TOTAL EXPENDITURES	54,185,700	72,240,600	55,249,000	64,972,900
EXPENDITURES BY FUND SOURCE				
General Fund		17,980,000		4,462,000
Tobacco Settlement-Phase I				5,358,000
Restricted Funds	3,863,700	3,921,600	4,927,000	4,813,900
Federal Funds	50,322,000	50,339,000	50,322,000	50,339,000
TOTAL EXPENDITURES	54,185,700	72,240,600	55,249,000	64,972,900

Per Executive Order 2004-728, the Kentucky Infrastructure Authority (KIA) is attached to the Governor's Office of Local Development. KIA's expanded mission was authorized by Senate Bill 409 of the 2000 General Assembly and codified in KRS Chapter 224A. That Act authorized the KIA to establish and coordinate regional infrastructure planning to promote higher levels of technical, managerial, and financial capacity of water based utilities, and to actively pursue the achievement of economies of scale among and between utilities to the best interest of consumers. Additionally, the Authority's more traditional role of providing infrastructure financing for governmental agencies was expanded to include investor owned, private utilities. The General Assembly supported the new initiatives set out in the legislation with the creation of a new account, the 2020 account, through which the Authority provides grants and subsidized loan incentives in addition to its existing programs. Most recently, the 2005 General Assembly authorized the sale of over \$206 million for the water and wastewater projects across the Commonwealth to be administered by the Authority.

The Authority is authorized by KRS Chapter 224A to issue notes and bonds to provide loans to governmental agencies and private, investor owned utilities in Kentucky. The provisions of KRS 224A.165 dictate certain limits on the amount of notes and bonds the authority can have outstanding. The purpose of the loans is to assist such entities in financing the construction of infrastructure projects. The following provides a description of the Authority's various programs:

Fund A - Wastewater Revolving Loan Program

Local wastewater treatment facilities that qualify under the U.S. Environmental Protection Agency standards are financed through this program. Jointly administered by the KIA and the Natural Resources Cabinet, loans are provided at below-market interest rates. The Commonwealth appropriates an amount equal to this fund's debt service to make its bond payments.

Fund B - Infrastructure Revolving Fund Programs

Fund B Revolving Loan/Grant Program: This fund was established to provide financing for any type of infrastructure that will enhance economic development and job creation. Loans are made to governmental entities that are unable to finance a complete project through other public grant or loan programs, through commercial credit at reasonable rates or from their own resources. The loans are at or below market interest rates and do not exceed thirty years. Grants are available, but are reserved for borrowers facing both a financial hardship and an extreme health hazard. The Commonwealth appropriates an amount equal to this fund's debt service to make its bond payments.

Fund B 2020 Program: This fund was established to implement the legislation passed in the 2000 General Assembly. Eligible activities include, but are not limited to, the provision of water service to households in Kentucky which do not have access to safe drinking water, encouraging merger and consolidation of systems, and encouraging the increased financial, managerial, and technical capacity of systems to provide service.

Fund C - Governmental Agencies Program

This program provides local governmental agencies access to funding through the municipal bond market at better terms than could be obtained on an independent basis. Loans are available for up to thirty years for any infrastructure owned by governmental entities in the Commonwealth. The loans may be used to fund totally a construction project or they can be used to supplement grants or cash contributions.

Fund E - Solid Waste Revolving Loan Program

This fund was established to assist local government units in the financing of solid waste projects. Financial assistance is available for the useful life of the project or thirty years, whichever is shorter. Grants are also available from this fund. Jointly administered by the Natural Resources Cabinet, the fund provides grants up to \$75,000 per project per funding cycle to defray capital costs associated with solid waste management activities. The 2002 General Assembly repealed authorization for the program.

Fund F - Drinking Water Revolving Loan Fund

This fund was established to assist in financing local drinking water treatment and distribution facilities that qualify under U.S. Environmental Protection Agency (EPA) requirements. Projects must be recommended by the Kentucky Division of Water from the Project Priority List and must be financially feasible as determined by KIA staff. Loan funds are available on short terms for planning and preliminary design work.

Coal Development and Tobacco Development Funds

These funds were authorized by the 2005 General Assembly in the amounts of \$80 million for the Coal Producing Counties and \$126 million for Tobacco Producing Counties for various water and sewer projects across the entire region of the Commonwealth.

Policy

Per Executive Order 2004-728, the Kentucky Infrastructure Authority (KIA) is attached to the Governor's Office for Local Development.

Included in the General Fund appropriation is \$123,000 in fiscal year 2006 for initial debt service to support \$2,200,000 in bonds to match \$11,000,000 in federal funds for the Federally Assisted Wastewater Revolving Loan Fund program (Fund A).

Included in the General Fund appropriation is \$105,000 in fiscal year 2006 for initial debt service to support \$2,600,000 in bonds to match \$13,000,000 in federal funds for the Safe Drinking Water State Revolving Loan Fund program (Fund F). The Federal Funds for this program are appropriated in the operating budget to comply with the Federal Cash Management Act. The required state matching funds are appropriated as Bond Funds in the capital budget.

Included in the General Fund appropriation is \$3,725,000 in fiscal year 2005-2006 for debt service to support an additional \$80 million in state bonds for the Infrastructure Development Fund for Coal-Producing Counties. These are transferred from the Local Government Economic Development Fund, Multi-County Fund.

Included in the General Fund (Tobacco) appropriation is \$5,358,000 in fiscal year 2005-2006 and General Fund appropriation of \$509,000 for debt service to support \$126 million in bond funds for the Infrastructure Development Fund to Tobacco Counties (IDFTC). Future debt service for the IDFTC shall be provided from the General Fund.

**General Government
Department of Veterans' Affairs**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	19,638,100	22,461,500	15,358,800	15,458,800
Total General Fund	19,638,100	22,461,500	15,358,800	15,458,800
Restricted Funds				
Balance Forward	623,000	1,058,800	1,023,400	14,700
Current Receipts	21,979,400	22,528,100	21,671,900	23,017,000
Fund Transfers			-275,000	
Total Restricted Funds	22,602,400	23,586,900	22,420,300	23,031,700
TOTAL SOURCE OF FUNDS	42,240,500	46,048,400	37,779,100	38,490,500
EXPENDITURES BY CLASS				
Personnel Cost	33,829,000	36,746,400	29,875,100	30,676,600
Operating Expenses	6,998,200	7,188,000	7,141,700	7,256,700
Grants, Loans or Benefits	219,300	219,300	117,500	167,500
Capital Outlay	135,200	135,200	80,100	375,000
Construction			550,000	
TOTAL EXPENDITURES	41,181,700	44,288,900	37,764,400	38,475,800
EXPENDITURES BY FUND SOURCE				
General Fund	19,638,100	22,461,500	15,358,800	15,458,800
Restricted Funds	21,543,600	21,827,400	22,405,600	23,017,000
TOTAL EXPENDITURES	41,181,700	44,288,900	37,764,400	38,475,800
EXPENDITURES BY UNIT				
Commissioner's Office, Field Serv's & Cemeteries	2,838,800	3,190,000	2,544,000	2,644,000
Kentucky Veterans' Centers	38,342,900	41,098,900	35,220,400	35,831,800
TOTAL EXPENDITURES	41,181,700	44,288,900	37,764,400	38,475,800

The Kentucky Department of Veterans' Affairs (KDVA), established by KRS 40.300, assists over 370,000 Kentucky veterans and their families in applying for federal, state, and local veteran's benefits. Services include: benefits counseling and claims processing regarding the existence or availability of educational, training, and retraining facilities; health, medical rehabilitation, and housing services and facilities; employment and reemployment services; and provisions of federal, state, and local laws affording rights, privileges, and benefits to eligible veterans and their dependents. These services are supported by a cooperative network of Veterans' Benefits Field Representatives, volunteers, and personal service contracts with major veterans' organizations.

Pursuant to KRS 40.325, the Office of Kentucky Veterans' Centers within the KDVA manages Kentucky's three state veterans' nursing homes, which serve the long-term nursing care needs of Kentucky's elderly veteran population, who are about 110,000 of Kentucky's veterans.

The Thomson-Hood Veterans' Center, located in Wilmore in Jessamine County, is a 300-bed long-term nursing care facility specifically for Kentucky's elderly veteran population. The Eastern and Western Kentucky Veterans Centers, located in Hazard (Perry County), and Hanson (Hopkins County), opened in 2002. Each is a 120-bed facility that includes in-house physician care, nurse practitioners, 24-hour nursing staff, and staffing for a rehab therapy department, barbershop, library, gift shop, laundry facility, a dietary department, and an employee child care facility.

The KDVA is required by KRS 40.315 to establish and maintain Kentucky state veterans' cemeteries. The Kentucky Veterans' Cemetery-West consists of 73 acres and is located on Highway 41A south of Hopkinsville. The facility includes an administration building, a maintenance building with service area, committal facility, a columbarium, appropriate parking, road network, walking path and landscaping.

The KDVA contracts with Volunteers of America to help support the operation of a Homeless Veterans' Transitional Shelter which opened for business in April 2005 on the Leestown Veterans Administration Hospital property in Lexington.

Policy

Notwithstanding KRS 45.229, the unexpended balance of the General Fund appropriation provided to the Eastern Kentucky Veterans' Center, the Western Kentucky Veterans' Center, and the Thompson-Hood Veterans' Center in fiscal year 2005 shall not lapse and shall be carried forward into fiscal year 2006.

In fiscal year 2005, restricted funds in the amount of \$275,000 shall be transferred to the credit of the General Fund.

Included in the above General Fund appropriation in fiscal year 2005-2006 is an additional \$50,000 for a Williamstown Cemetery position and an additional \$50,000 for the Homeless Veterans' Shelter in Lexington.

Included in the above restricted funds appropriation is an additional \$600,000 in fiscal year 2005-2006, of which \$250,000 is for a four percent increase in operating funds for the three Veterans' Centers and \$350,000 is for the purchase of land adjacent to the Thomson/Hood Veterans' Center.

While no operating funds are needed immediately, it is recognized that the Commonwealth intends to provide the necessary funding for operation of the Northern Kentucky and the Central Kentucky State Veterans' Cemeteries upon completion. The 2003 General Assembly authorized their construction with predominantly federal funds.

**General Government
Secretary of State**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,586,800	2,732,900	2,224,000	2,224,000
Total General Fund	2,586,800	2,732,900	2,224,000	2,224,000
Restricted Funds				
Balance Forward	1,314,500	2,244,700	1,630,800	125,100
Current Receipts	1,629,000	1,864,100	1,500,000	1,700,000
Fund Transfers			-2,202,800	-1,000,000
Total Restricted Funds	2,943,500	4,108,800	928,000	825,100
TOTAL SOURCE OF FUNDS	5,530,300	6,841,700	3,152,000	3,049,100
EXPENDITURES BY CLASS				
Personnel Cost	2,552,900	2,731,300	2,367,900	2,412,600
Operating Expenses	732,700	735,500	659,000	614,300
TOTAL EXPENDITURES	3,285,600	3,466,800	3,026,900	3,026,900
EXPENDITURES BY FUND SOURCE				
General Fund	2,586,800	2,732,900	2,224,000	2,224,000
Restricted Funds	698,800	733,900	802,900	802,900
TOTAL EXPENDITURES	3,285,600	3,466,800	3,026,900	3,026,900
EXPENDITURES BY UNIT				
General Administration	1,536,100	1,624,000	1,347,800	1,347,800
General Operations	1,006,700	1,064,900	832,200	832,200
Limited Liability Companies	698,800	733,900	802,900	802,900
Restoration of Land Grant Books	44,000	44,000	44,000	44,000
TOTAL EXPENDITURES	3,285,600	3,466,800	3,026,900	3,026,900

The Secretary of State is the constitutional officer entrusted with filing, maintaining, and preserving the important documents and records of the Commonwealth. The Secretary also keeps the Seal of the Commonwealth and affixes it to all communications and commissions issued in the name of the state. The Office of the Secretary of State consists of two units: General Administration and Restoration of Land Grant Books.

General Administration

The General Administration unit consists of three programs: General Administration and Support, General Operations and Kentucky Business Law, and Limited Liability Companies.

The General Administration and Support program is responsible for preparing and recording official documents for the Governor. The program also implements election laws of the Commonwealth. This program administers Kentucky's Notary Public Law, issues commissions, pardons, commutations, and extraditions.

The General Operations and Kentucky Business Law Unit is responsible for the registration and incorporation of businesses, both domestic and foreign, profit and non-profit, including the administration of documents of merger, dissolution, and name changes. The program administers Kentucky's Uniform Commercial Code Law, laws regarding the service of summonses and complaints, and laws pertaining to trademarks and service marks. The 2000 General Assembly enacted Revised Article 9 of the Uniform Commercial Code, effective July 1, 2001, (KRS 355, Title 9). This law established the Office of the Secretary of State as the filing office for most personal property liens. The enactment of the law required the Secretary of State to establish a UCC Branch within the Corporation Division and employ clerks to file the numerous UCC records that were previously filed with the county clerks.

The Limited Liability Companies program accepts and processes filings for limited liability companies and registered limited liability partnerships. Like corporations, these companies and partnerships must file articles of organization with the Secretary of State, as well as amendments, mergers and dissolutions.

Restoration of Land Grant Books

The objective of the Restoration of Land Grant Books program is to preserve Kentucky land grant records and fulfill daily requests for copies of those records. The Land Grant Division files city annexations and incorporations, state deeds, and new land patents, as well as answering inquiries pertaining to Land Records and providing the public with certified copies of land surveys, grants, and military warrants. The restoration process consists of indexing, de-acidifying, laminating, and bonding, thus safely preserving Kentucky's original land grants.

Policy

Notwithstanding KRS 14.140, an allocation from agency funds received in the Limited Liability Companies program in the amount of \$802,900 in fiscal year 2005 and \$802,900 in fiscal year 2006 shall not lapse and shall be used for the continuation of current activities within the General Administration unit and for the operations and staff of the Uniform Commercial Code Branch within the General Operations Corporation Division.

Notwithstanding KRS 14.140, \$2,202,800 in fiscal year 2005 and \$1,000,000 in fiscal year 2006 shall be transferred to the General Fund.

**General Government
Board of Elections**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	5,265,800	3,303,500	6,091,000	3,046,400
Continuing Appropriation	968,400	494,700		626,300
Total General Fund	6,234,200	3,798,200	6,091,000	3,672,700
Restricted Funds				
Balance Forward	102,000	82,000	79,800	3,600
Current Receipts	40,000	80,000	25,000	80,000
Total Restricted Funds	142,000	162,000	104,800	83,600
Federal Funds				
Balance Forward	15,887,000	6,982,000	14,217,200	5,312,200
Current Receipts	95,000	50,000	95,000	50,000
Total Federal Funds	15,982,000	7,032,000	14,312,200	5,362,200
TOTAL SOURCE OF FUNDS	22,358,200	10,992,200	20,508,000	9,118,500
EXPENDITURES BY CLASS				
Personnel Cost	1,115,200	1,153,600	1,065,500	1,089,100
Operating Expenses	724,100	705,600	698,900	588,400
Grants, Loans or Benefits	12,960,200	2,504,300	12,801,500	2,426,000
TOTAL EXPENDITURES	14,799,500	4,363,500	14,565,900	4,103,500
EXPENDITURES BY FUND SOURCE				
General Fund	5,739,500	3,303,500	5,464,700	3,046,400
Restricted Funds	60,000	60,000	101,200	57,100
Federal Funds	9,000,000	1,000,000	9,000,000	1,000,000
TOTAL EXPENDITURES	14,799,500	4,363,500	14,565,900	4,103,500
EXPENDITURES BY UNIT				
General Administration and Support	1,728,300	1,805,700	1,653,400	1,624,000
State Share of County Election Expenses	2,113,200		1,955,300	
State Share of Voter Registration Expenses	1,480,300	1,557,800	1,479,500	1,479,500
Presidential Electors	4,000		4,000	
Election Fund	9,473,700	1,000,000	9,473,700	1,000,000
TOTAL EXPENDITURES	14,799,500	4,363,500	14,565,900	4,103,500

The State Board of Elections administers the election laws of the state (KRS Chapters 116, 117, 118, 118A, 119, and 120) and supervises the registration and purgation of voters. The Board is responsible for canvassing returns, certifying successful candidates, maintaining the statewide list of registered voters, and paying local election officers.

The Board is chaired by the Secretary of State. Six other members are appointed by the Governor.

General Administration and Support

The General Administration and Support program objectives are to maintain an up-to-date computerized record of registered voters in the state, certify election results, produce precinct rosters, issue certification of nomination and election, train county clerks in election duties, and conduct a nonpartisan voter education program.

Kentucky leads the nation with the implementation of the National Voter Registration Act (Motor Voter) and the on-line voter registration system. The system provides for:

- On-line inquiry which enables the county clerks to view the registration and voting record of each current registrant.
- Daily file maintenance which allows the county clerk to enter new registrants, transfer a registrant, or make the proper registration change on a local level. Once entered, this information is electronically transmitted to the statewide central file at the State Board of Elections in Frankfort.
- Printing and distribution of precinct rosters and alphabetical rosters to the county clerks for use on Election Day. This process begins when the books are closed and all changes, additions, and deletions are made to the file. The primary election is approximately 500,000 documents and the general election is approximately 275,000 documents. Post election activities include giving credit to all voters who voted on Election Day. This data is scanned into the system allowing the agency to update the voter files, produce voter turnout reports, and various other reports including vital data to candidates.

State Share of County Election Expenses

The State Share of County Election Expenses program pays all precincts the state's statutory share of county election expenses.

The state currently has 3,483 precincts with over 2.8 million registered voters. The number of precincts increases as registration totals increase and as reapportionment of county commissioner/magisterial districts and congressional and state redistricting occur.

State Share of Voter Registration Expenses

The State Board of Elections remits payment to the county clerk of the state amount of twenty-five cents (\$.025) for registration of voters pursuant to KRS 116.145. There is a significant increase of newly registered voters in years that county and presidential candidates are on the ballot.

The State Board of Elections remits reimbursement to county clerks an amount not to exceed fifty cents (\$0.50) per registered voter in the county per year for the cost of employing office personnel necessary for the conduct of elections, including the registration and purgation of voters in the county pursuant to KRS 117.343 and KRS 116.112(7).

Election Fund

On October 29, 2002, President George W. Bush signed the Help America Vote Act (HAVA) into law. HAVA is a federal response to the irregularities in voting systems and processes seen in certain states during the 2000 Presidential election.

The HAVA (P.L. 107-252) imposed new election requirements on states and called for the upgrade of voting machines. The State Board of Elections received \$32.8 million in federal funds on June 17, 2004, for the HAVA Title II payment for federal fiscal years 2003 and 2004. The Board of Elections will be responsible for the administration and disbursement of these funds.

The state plan for the Commonwealth of Kentucky, developed in accordance with Section 254 of the Act, through Kentucky's HAVA Advisory Committee, establishes a framework for meeting requirements, yet remaining a national leader in the conduct of elections.

Policy

Included in the General Fund appropriation is \$3,434,800 in fiscal year 2005 and \$1,479,500 in fiscal year 2006 to pay the state's share of county election expenses and the state's share of voter registration expenses. Any unexpended balance remaining at the close of each fiscal year shall lapse to the credit of the General Fund. Any amount that the state is required to pay in excess of the above amounts shall be deemed a Necessary Governmental Expense and shall be paid from the General Fund.

Notwithstanding KRS 117.345(2), the maximum state payment rate is increased this biennium from \$255 to \$300 for each precinct containing a voting machine. Any amount the state is required to pay in excess of the above amounts shall be deemed Necessary Governmental Expenses and shall be paid from the General Fund.

Costs associated with special elections and additional precincts created by redistricting or reapportionment shall be deemed Necessary Governmental Expenses and be paid from the General Fund.

Notwithstanding KRS 45.229, any unexpended General Fund funds appropriated for HAVA shall not lapse and shall carry forward into the following fiscal year. Amounts in excess of \$1,100,000 for this purpose, not to exceed \$1,250,000, shall be deemed Necessary Governmental Expenses.

The Help America Vote Act, Section 254 (7), requires the state to maintain the expenditures of the state for activities funded by the payment at a level that is not less than the level of such expenditures maintained by the state for the fiscal year ending prior to November 2000. Kentucky's maintenance of effort requirement is \$1,303,200. Any funding below this amount would result in loss of federal funds.

Pursuant to KRS 117.025(1), the State Board of Elections shall appoint an executive Director who shall be the Chief Administrative Officer for the Board. Pursuant to KRS 117.025(2), the Board shall employ, on a bipartisan basis, a staff sufficient to carry out the duties assigned the Board, including legal counsel. The General Fund appropriation includes \$184,000 in fiscal year 2005 and \$199,000 in fiscal year 2006 to fund the Executive Director and Legal Counsel positions.

General Government

Treasury

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,405,100	2,549,500	2,047,700	1,941,600
Total General Fund	2,405,100	2,549,500	2,047,700	1,941,600
Restricted Funds				
Balance Forward	121,100		48,800	
Non-Revenue Receipts	690,400	862,700	750,300	793,300
Fund Transfers			-20,500	
Total Restricted Funds	811,500	862,700	778,600	793,300
Road Fund				
Regular Appropriation			250,000	250,000
Total Road Fund			250,000	250,000
TOTAL SOURCE OF FUNDS	3,216,600	3,412,200	3,076,300	2,984,900
EXPENDITURES BY CLASS				
Personnel Cost	2,340,800	2,505,000	2,203,100	2,206,500
Operating Expenses	875,800	907,200	873,200	778,400
TOTAL EXPENDITURES	3,216,600	3,412,200	3,076,300	2,984,900
EXPENDITURES BY FUND SOURCE				
General Fund	2,405,100	2,549,500	2,047,700	1,941,600
Restricted Funds	811,500	862,700	778,600	793,300
Road Fund			250,000	250,000
TOTAL EXPENDITURES	3,216,600	3,412,200	3,076,300	2,984,900
EXPENDITURES BY UNIT				
General Administration and Support	1,740,900	1,836,300	1,608,100	1,494,600
Disbursements and Accounting	664,200	713,200	623,200	624,000
Abandoned Property Administration	811,500	862,700	778,600	793,300
Investment Policy			66,400	73,000
TOTAL EXPENDITURES	3,216,600	3,412,200	3,076,300	2,984,900

The Treasury Department is the central administrative agency responsible for the receipt and custody of all revenues collected by state government and for writing all checks and disbursing state funds, as outlined in KRS Chapter 41.

The State Treasurer, a constitutional officer as provided in Section 91 of the State Constitution, heads the Treasury Department. The Treasurer also serves on the State Investment Commission and serves as chair of the Commonwealth Postsecondary Education Prepaid Tuition Trust Fund. The Treasury Department reviews and records all investment transactions of the Commonwealth.

The General Administration and Support division provides management support for Treasury including: fiscal control, personnel administration, and policy development and implementation. The Division issues over 7,500,000 checks each year, reconciles the various Commonwealth bank accounts, reconciles daily with the State Depository, administers and records court-ordered withholdings, and produces wire transfers for state government.

The Disbursements and Accounting division receives all funds of the Commonwealth including fees, grants, taxes, federal funds, fees from officials in counties over 75,000 in population, and fees from various boards and commissions. This program also receives, balances, and deposits all withholdings and U. S. Savings Bond deductions from state agency payrolls. A computer analysis is maintained on daily receipts and disbursements, which subsequently is submitted to the Finance and Administration Cabinet for accounting posting.

The Abandoned Property program is responsible for administering the provisions of KRS Chapter 393 related to escheats. This program receives unclaimed property reports from holders and potential holders of unclaimed property, collects unclaimed property, pursues the location and collection of the property, and attempts to locate the rightful property owner.

Treasury Executive Order 04-1, effective June 16, 2004 created a new Division for Investment Policy to focus on the issues of financial literacy and predatory lending. Since this reorganization was not ratified by the 2005 General Assembly, these functions will return to the General Administration and Support division in fiscal year 2006.

Policy

Restricted funds are provided in accordance with KRS 393.250 for the administration of the Unclaimed Property Program in the amount of \$778,600 in fiscal year 2005 and \$793,300 in fiscal year 2006. This action reflects the movement of available off-budget restricted funds to on-budget status to support ongoing activities of the Unclaimed Property Program.

Road Fund in the amount of \$250,000 each year of the biennium is included to support the central check writing system and other central administrative responsibilities of state government.

The enacted Budget of the Commonwealth includes \$140,700 General Fund in FY 2006 in the Capital Budget for the first year payments of a five-year lease purchase of two laser check printers. The savings to be realized by eliminating maintenance agreements on the existing printers has been moved to the capital budget to help pay for the new printers.

Abandoned Property receipts totaling \$48,855,600 in fiscal year 2005 and \$43,386,700 in fiscal year 2006 are included in the General Fund resources as enacted by the General Assembly.

**General Government
Attorney General**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	15,977,800	17,340,300	13,276,200	13,736,000
Total General Fund	15,977,800	17,340,300	13,276,200	13,736,000
Restricted Funds				
Balance Forward	2,433,000	2,026,100	2,986,600	1,485,100
Current Receipts	1,578,700	1,587,100	1,698,100	1,587,100
Non-Revenue Receipts	4,825,600	5,111,400	6,025,600	6,365,600
Total Restricted Funds	8,837,300	8,724,600	10,710,300	9,437,800
Federal Funds				
Current Receipts	2,382,900	2,449,000	2,817,900	2,715,000
Total Federal Funds	2,382,900	2,449,000	2,817,900	2,715,000
TOTAL SOURCE OF FUNDS	27,198,000	28,513,900	26,804,400	25,888,800
EXPENDITURES BY CLASS				
Personnel Cost	18,457,900	20,351,100	17,038,200	17,275,900
Operating Expenses	2,959,800	3,039,600	3,324,400	2,798,900
Grants, Loans or Benefits	3,754,200	3,825,000	4,956,700	5,025,000
TOTAL EXPENDITURES	25,171,900	27,215,700	25,319,300	25,099,800
EXPENDITURES BY FUND SOURCE				
General Fund	15,977,800	17,340,300	13,276,200	13,736,000
Restricted Funds	6,811,200	7,426,400	9,225,200	8,648,800
Federal Funds	2,382,900	2,449,000	2,817,900	2,715,000
TOTAL EXPENDITURES	25,171,900	27,215,700	25,319,300	25,099,800
EXPENDITURES BY UNIT				
Administrative Services	2,658,600	2,835,900	2,803,500	2,792,500
Criminal Services	9,800,600	10,457,300	8,126,800	8,373,400
Advocacy Services	4,708,500	4,988,300	4,696,400	4,439,900
Civil Services	3,399,500	4,171,900	3,885,400	3,531,700
Uninsured Employers Fund	4,604,700	4,762,300	5,807,200	5,962,300
TOTAL EXPENDITURES	25,171,900	27,215,700	25,319,300	25,099,800

The Attorney General, as the Commonwealth's constitutional chief law enforcement officer, performs a range of legal, investigative, and administrative duties. The Office has five major programmatic areas: Administrative Services, Criminal Services, Advocacy Services, Civil Services, and the Uninsured Employers Fund. A total of 12 organizational units support these areas.

The Administrative Services group contains the Administrative Services Division, the Prosecutor's Advisory Council Services Division, and the front office operations. The Administrative Services Division's duties include: personnel, payroll, fiscal, budget, state and federal grants, and employee training. The Prosecutors Advisory Council Services Division's duties include: personnel, payroll, fiscal, budget, state and federal grants, and legal education related to the Unified Prosecutorial System (UPS), along with the maintenance of child sexual abuse caseload and statistics, and the responsibility for the Victim and Witness Protection Program.

The Criminal Services group contains the Office of Criminal Appeals, the Medicaid Fraud and Abuse Control Division, the Kentucky Bureau of Investigations, and the Special Prosecutions Division. The Office of Criminal Appeals, as mandated by

KRS 15.020, represents the Commonwealth in all State and Federal criminal appeals in which the Commonwealth has an interest. The Medicaid Fraud and Abuse Control Division investigates and prosecutes cases of Medicaid Provider fraud pursuant to KRS 194.500-900 and KRS 205, and further complaints of abuse, neglect, and exploitation of residents in Medicaid facilities. The Kentucky Bureau of Investigations investigates specialized, primarily white-collar criminal activity, welfare recipient fraud, identity theft, and computer crimes. The Special Prosecutions Division, pursuant to KRS 15.190 - 715, prosecutes complex criminal cases when local prosecutors need assistance or disqualification from the case, prosecutes thefts from the Commonwealth by employees or elected officials, and prosecutes election and ethics law violations.

The Advocacy Services grouping contains the Office of Consumer Protection, Office of Rate Intervention, Victim's Advocacy Division, and the Child Support Enforcement Commission. The Consumer Protection Division enforces the provisions of the Consumer Protection Act that prohibit unfair, false, misleading, and deceptive acts or practices in trade or commerce and provides educational services to the elderly. The Office of Rate Intervention is responsible for representing the interests of consumers before federal, state, and local rate-making and regulatory bodies in the areas of utilities and health care insurance. The Victim's Advocacy Division administers the victim's advocate program and provides support services to victims of crime. The Child Support Enforcement Commission, pursuant to KRS 15.290, advises the Governor, Health and Family Services Cabinet, and the Administrative Office of the Courts on child support enforcement issues and provides special investigations into child support evasion.

The Civil Services grouping contains the Civil and Environmental Law Division and the Administrative Hearings Division. The Civil Law Division represents the state's boards and agencies, issues formal opinions, represents state officials, elected prosecutors, and the judiciary in legal proceedings, and intervenes in constitutional challenges to state statutes. The Division serves as the legal representative of the Uninsured Employer's Fund in all proceedings to enforce workers' compensation claims involving the Fund. The Administrative Hearings Division provides hearing officer services and mediation to state agencies.

The Uninsured Employer's Fund, pursuant to KRS 342.760, is responsible for payment of workers' compensation to employees when the employer does not have workers' compensation insurance.

Policy

The enacted budget provides additional restricted funds in the amount of \$466,400 in fiscal year 2005 and \$489,800 in fiscal year 2006 to support five additional attorneys and two paralegals assigned to Medicaid recoupment litigation for the Commonwealth and legal services pursuing the collection of debts owed to the Commonwealth. Additionally, General Fund resources in the amount of \$359,800 are provided in fiscal year 2006 for the Medicaid Fraud and Abuse Control Unit, Consumer Protection/Antitrust Division, and Civil Division to enhance revenue recovery for the Commonwealth.

Additional federal fund resources of \$200,000 in fiscal year 2005 and \$266,000 in fiscal year 2006 are provided to fund three additional attorneys and one additional investigator in the Medicaid Fraud and Abuse Control Unit.

Additional General Fund resources of \$100,000 are provided in fiscal year 2006 for the on-going costs of the Timmel litigation settlement.

The enacted budget provides additional restricted fund resources of \$1,200,000 in both years of the biennium for the Uninsured Employer's Fund due to the increased benefit costs of this program.

Additional restricted fund resources of \$553,500 are provided in fiscal year 2005 for the purchase of computer hardware and software and other equipment needs.

The Budget of the Commonwealth provides additional General Fund resources of \$250,000 in fiscal year 2006 for additional staffing resources.

House Bill 267, the enacted budget, provides "Civil Legal Services - Salary Equity Compensation: The Office of the Attorney General is authorized to issue eligible attorneys salary equity compensation at the discretion of the Attorney General."

**General Government
Unified Prosecutorial System**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	54,660,500	58,077,000	50,822,000	53,355,000
Total General Fund	54,660,500	58,077,000	50,822,000	53,355,000
Restricted Funds				
Balance Forward	483,900	353,400	551,500	265,700
Current Receipts	102,400	102,400	102,400	102,400
Total Restricted Funds	586,300	455,800	653,900	368,100
Federal Funds				
Current Receipts	996,900	1,024,900	996,900	1,024,900
Total Federal Funds	996,900	1,024,900	996,900	1,024,900
TOTAL SOURCE OF FUNDS	56,243,700	59,557,700	52,472,800	54,748,000
EXPENDITURES BY CLASS				
Personnel Cost	50,518,600	54,175,700	46,766,700	49,237,900
Operating Expenses	5,336,700	5,126,000	5,405,400	5,442,900
Grants, Loans or Benefits	35,000	35,000	35,000	35,000
TOTAL EXPENDITURES	55,890,300	59,336,700	52,207,100	54,715,800
EXPENDITURES BY FUND SOURCE				
General Fund	54,660,500	58,077,000	50,822,000	53,355,000
Restricted Funds	232,900	234,800	388,200	335,900
Federal Funds	996,900	1,024,900	996,900	1,024,900
TOTAL EXPENDITURES	55,890,300	59,336,700	52,207,100	54,715,800
EXPENDITURES BY UNIT				
Commonwealth's Attorneys	30,898,600	32,648,300	28,797,300	29,795,600
County Attorneys	24,991,700	26,688,400	23,409,800	24,920,200
TOTAL EXPENDITURES	55,890,300	59,336,700	52,207,100	54,715,800

The Unified Prosecutorial System, pursuant to KRS 15.700, was established January 1, 1978 to encourage cooperation among law enforcement officers and provide for the general supervision of criminal justice by the Attorney General as chief law enforcement officer and chief prosecutor of the Commonwealth. Its role is to maintain uniform and efficient enforcement of the criminal laws and administration of criminal justice throughout the Commonwealth.

The Unified Prosecutorial System is administered by the Prosecutors Advisory Council, which the Attorney General chairs. The Unified Prosecutorial System, comprised of the 57 Commonwealth's Attorneys and 120 County Attorneys, prosecutes criminal cases in Kentucky's circuit and district courts.

**General Government
Unified Prosecutorial System
Commonwealth's Attorneys**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	30,079,400	31,799,200	27,842,100	28,850,900
Total General Fund	30,079,400	31,799,200	27,842,100	28,850,900
Restricted Funds				
Balance Forward	415,700	291,700	481,500	221,500
Current Receipts	90,000	90,000	90,000	90,000
Total Restricted Funds	505,700	381,700	571,500	311,500
Federal Funds				
Current Receipts	605,200	633,200	605,200	633,200
Total Federal Funds	605,200	633,200	605,200	633,200
TOTAL SOURCE OF FUNDS	31,190,300	32,814,100	29,018,800	29,795,600
EXPENDITURES BY CLASS				
Personnel Cost	26,633,300	28,596,000	24,566,800	25,499,200
Operating Expenses	4,230,300	4,017,300	4,195,500	4,261,400
Grants, Loans or Benefits	35,000	35,000	35,000	35,000
TOTAL EXPENDITURES	30,898,600	32,648,300	28,797,300	29,795,600
EXPENDITURES BY FUND SOURCE				
General Fund	30,079,400	31,799,200	27,842,100	28,850,900
Restricted Funds	214,000	215,900	350,000	311,500
Federal Funds	605,200	633,200	605,200	633,200
TOTAL EXPENDITURES	30,898,600	32,648,300	28,797,300	29,795,600

The Commonwealth's Attorney program is made up of 57 elected Commonwealth's Attorneys and their staff, one for each circuit. As of January 1, 2004, 49 circuits have full-time Commonwealth's Attorneys, with the remaining being part-time. Commonwealth Attorneys are responsible for felony prosecutions, including those prosecutions in which the penalty of death may be imposed upon the defendant. The prosecution of each felony requires a thorough investigation that involves extensive research and trial preparation by the prosecutor. Witness interviews, motions, conferences, plea-bargaining, case studies, and continuing legal education are a part of each prosecutor's responsibility in representing the Commonwealth and citizens of Kentucky as the state's attorney.

Pursuant to KRS 15.725, the Commonwealth's Attorneys attend each circuit court held in the judicial circuit. The Commonwealth's Attorneys, except as provided by KRS 15.715, have the duty to prosecute all violations of the criminal and penal laws which are tried in the circuit court. In addition, the Commonwealth's Attorneys have the primary responsibility within the judicial circuit to present evidence to the grand jury concerning such violations.

In accordance with KRS 15.735, the Commonwealth's Attorneys serve as special prosecutors in cases where the regularly elected prosecutors have been disqualified.

Policy

The Budget of the Commonwealth provides additional General Fund resources of \$712,600 in fiscal year 2006 to provide assistance in handling increasing caseloads in Commonwealth's Attorneys offices statewide.

**General Government
Unified Prosecutorial System
County Attorneys**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	24,581,100	26,277,800	22,979,900	24,504,100
Total General Fund	24,581,100	26,277,800	22,979,900	24,504,100
Restricted Funds				
Balance Forward	68,200	61,700	70,000	44,200
Current Receipts	12,400	12,400	12,400	12,400
Total Restricted Funds	80,600	74,100	82,400	56,600
Federal Funds				
Current Receipts	391,700	391,700	391,700	391,700
Total Federal Funds	391,700	391,700	391,700	391,700
TOTAL SOURCE OF FUNDS	25,053,400	26,743,600	23,454,000	24,952,400
EXPENDITURES BY CLASS				
Personnel Cost	23,885,300	25,579,700	22,199,900	23,738,700
Operating Expenses	1,106,400	1,108,700	1,209,900	1,181,500
TOTAL EXPENDITURES	24,991,700	26,688,400	23,409,800	24,920,200
EXPENDITURES BY FUND SOURCE				
General Fund	24,581,100	26,277,800	22,979,900	24,504,100
Restricted Funds	18,900	18,900	38,200	24,400
Federal Funds	391,700	391,700	391,700	391,700
TOTAL EXPENDITURES	24,991,700	26,688,400	23,409,800	24,920,200

Pursuant to KRS 15.725(2), each County Attorney attends the district court in the respective county and prosecutes all violations of criminal and penal laws within the jurisdiction of that district court. In accordance with KRS 15.735, County Attorneys also serve as special prosecutors in cases where the elected prosecutors have been disqualified.

Criminal cases at the district level include felonies (until the case is transferred to circuit court), misdemeanors, juvenile cases, and traffic cases. Additionally, some counties have Family Court and Drug Court requiring representation from the Office of the County Attorney. The County Attorney frequently mediates local complaints so many of the services provided may never appear on a court docket.

Policy

The Budget of the Commonwealth provides additional General Fund resources of \$990,000 in fiscal year 2006 to provide assistance in handling increasing caseloads in County Attorney's offices statewide.

**General Government
Auditor of Public Accounts**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	6,780,900	7,326,400	5,780,800	5,530,800
Total General Fund	6,780,900	7,326,400	5,780,800	5,530,800
Restricted Funds				
Current Receipts	3,032,000	3,143,500	3,096,500	3,306,000
Total Restricted Funds	3,032,000	3,143,500	3,096,500	3,306,000
TOTAL SOURCE OF FUNDS	9,812,900	10,469,900	8,877,300	8,836,800
EXPENDITURES BY CLASS				
Personnel Cost	8,748,800	9,419,200	7,986,500	8,013,900
Operating Expenses	1,019,500	1,018,100	858,200	790,300
Capital Outlay	44,600	32,600	32,600	32,600
TOTAL EXPENDITURES	9,812,900	10,469,900	8,877,300	8,836,800
EXPENDITURES BY FUND SOURCE				
General Fund	6,780,900	7,326,400	5,780,800	5,530,800
Restricted Funds	3,032,000	3,143,500	3,096,500	3,306,000
TOTAL EXPENDITURES	9,812,900	10,469,900	8,877,300	8,836,800
EXPENDITURES BY UNIT				
Administration	2,018,700	2,154,400	1,773,500	1,776,500
Examination and Information Technology	1,236,700	1,328,700	1,188,700	1,186,300
Financial Audit	5,809,000	6,183,400	5,250,300	5,209,200
Performance Audit	748,500	803,400	664,800	664,800
TOTAL EXPENDITURES	9,812,900	10,469,900	8,877,300	8,836,800

The Auditor of Public Accounts is the constitutional officer responsible for auditing all state agencies and county governments, pursuant to KRS Chapter 43. Statutory responsibility requires the Auditor's Office to examine the state general accounts, the accounts of all state agencies, all private and semi-private agencies receiving or handling state funds and all state revenue collections. The Auditor must examine the management and control of all institutions and public works in which the state has financial interest or legal power.

The Auditor's Office is responsible for assisting state and local officials in establishing and maintaining proper accounting records, internal controls, and administrative controls over public funds. The Office responds to requests from public officials, the general public, the Legislative Research Commission, and the Governor's Office concerning financial and program matters, special audits, and investigations.

The Auditor of Public Accounts has four program areas: Administration, Division of Examination and Technology, Division of Financial Audit, and the Division of Performance Audit.

The Administration area includes: the Office of the State Auditor, support staff, policy staff, and Office of Legal and Records Services; the Office of Planning and Management with the budget, fiscal, and personnel duties and the development of audit procedures, audit quality control, internal training, and external training.

The Division of Examination and Information Technology is responsible for internal technology systems, data processing systems, special examinations of complaints, and security consultation and training.

The Division of Financial Audit is responsible for financial audits of state agency transactions, pursuant to KRS 43.050, and for county officials such as fiscal courts, sheriffs, county clerks, property valuation administrators, county attorneys, circuit clerks, and special districts per KRS 43.070. The Single Audit Act of 1984 as enacted by the United States Congress is also one of the responsibilities for the Auditor of Public Accounts.

The Division of Performance Audit conducts audits of public entities to increase the effectiveness and reduce the cost of the delivery of services.

**General Government
Agriculture**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	20,840,200	23,464,700	19,010,000	19,010,000
Total General Fund	20,840,200	23,464,700	19,010,000	19,010,000
Restricted Funds				
Balance Forward	3,864,736	1,656,836	6,708,300	3,505,300
Current Receipts	2,450,000	2,500,000	2,450,000	2,500,000
Non-Revenue Receipts	196,800	196,800	196,800	196,800
Fund Transfers			-153,800	
Total Restricted Funds	6,511,536	4,353,636	9,201,300	6,202,100
Federal Funds				
Balance Forward	199	-3,201	200	200
Current Receipts	4,162,000	4,162,000	4,813,100	4,813,100
Total Federal Funds	4,162,199	4,158,799	4,813,300	4,813,300
TOTAL SOURCE OF FUNDS	31,513,935	31,977,135	33,024,600	30,025,400
EXPENDITURES BY CLASS				
Personnel Cost	19,956,500	21,213,600	18,997,700	18,359,900
Operating Expenses	5,423,700	5,258,200	5,219,100	4,273,800
Grants, Loans or Benefits	3,946,100	3,946,100	4,902,300	4,698,900
Capital Outlay	534,000	440,000	400,000	400,000
TOTAL EXPENDITURES	29,860,300	30,857,900	29,519,100	27,732,600
EXPENDITURES BY FUND SOURCE				
General Fund	20,840,200	23,464,700	19,010,000	19,010,000
Restricted Funds	4,854,700	3,222,700	5,696,000	3,909,500
Federal Funds	4,165,400	4,170,500	4,813,100	4,813,100
TOTAL EXPENDITURES	29,860,300	30,857,900	29,519,100	27,732,600
EXPENDITURES BY UNIT				
Strategic Planning and Administration	3,996,700	4,231,400	3,779,800	3,713,500
Motor Fuel Inspection and Testing	249,600	261,400	200,000	200,000
Consumer and Environmental Programs	12,131,700	12,645,600	11,941,700	11,868,300
State Veterinarian	3,869,000	4,174,800	3,901,100	3,901,100
Animal Control			70,000	70,000
Universities	848,500	848,500	957,000	957,000
Rural Rehabilitation Fund	80,000	80,000	80,000	80,000
Market Promotion and Protection	82,400	87,700	78,800	78,800
Mexico Office	100,000	100,000	100,000	100,000
Farmland Preservation	400,000	400,000	400,000	400,000
Agriculture Marketing and Product Promotion	8,102,400	8,028,500	8,010,700	6,363,900
TOTAL EXPENDITURES	29,860,300	30,857,900	29,519,100	27,732,600

The Department of Agriculture, as defined in KRS Chapter 246, is headed by the Commissioner of Agriculture, a Constitutional Officer. The State Board of Agriculture, appointed by the Governor, acts as an advisory body to the elected Commissioner.

The Office of the Commissioner provides leadership and management for the Department, and includes the Division of Public Relations. The Office for Strategic Planning and Administration is responsible for personnel functions, budgeting, financial operation, and information technology systems.

The Office for Consumer and Environmental Protection directs programs which have a direct bearing on agricultural revenue. The Office conducts the hay grading program, certifies all sales made by solid weight or liquid volume, licenses egg wholesalers, and inspects amusement rides operating within the Commonwealth. Duties include the distribution of commodity foods to qualifying institutions and individuals on behalf of the United States Department of Agriculture. This Office is responsible for conducting various pest and noxious weed control programs, enforcing federal and state laws and regulations pertaining to the control of pesticide use and application, and liaison between the regulator and those being regulated.

The Office of State Veterinarian protects the livestock industry pursuant to KRS Chapter 257. The Office formulates and regulates disease policies and investigates disease outbreaks.

The Office for Agricultural Marketing and Product Promotion develops and manages programs which promote Kentucky-produced agricultural products, including grading and inspecting of specific products and commodities and reporting market news. Responsibilities of this Office include the research and development of new and expanded outlets for Kentucky's agricultural products, agricultural education, agritourism development, farm safety, administration of the Shows and Fairs Promotion Division, and farmland preservation.

Policy

Additional Federal Funds of \$651,100 are provided each year to the Division of Animal Health from grants received from the U. S. Department of Agriculture for projects related to animal identification and homeland security.

Additional Restricted Funds of \$840,800 in fiscal year 2005 and \$604,300 in fiscal year 2006 are provided to the Office for Agricultural Marketing and Product Promotion from grants received from the Agricultural Development Board. These grants are for creation of the Office of Agritourism, for support of the Kentucky Grape and Wine Council, and for marketing projects such as restaurant advertising, fresh product labeling, and the development of marketing infrastructure.

Additional General Fund support in the amount of \$108,500 in each year is provided for the veterinary laboratory at the University of Kentucky, and \$25,000 in General Funds are provided each year for ultrasound testing of animals at the North American International Livestock Exposition.

The Budget of the Commonwealth authorizes the Department to operate and maintain a metrology laboratory that will be supported from fees established by administrative regulation.

**General Government
Military Affairs**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	24,578,000	25,374,400	11,147,600	11,127,300
Total General Fund	24,578,000	25,374,400	11,147,600	11,127,300
Restricted Funds				
Balance Forward	13,460,500	13,466,100		2,810,800
Current Receipts	58,096,400	60,487,800	58,090,700	62,006,300
Non-Revenue Receipts	-2,548,500	-2,548,500	256,700	-2,548,500
Total Restricted Funds	69,008,400	71,405,400	58,347,400	62,268,600
Federal Funds				
Current Receipts	59,703,100	62,825,500	101,327,000	61,870,500
Total Federal Funds	59,703,100	62,825,500	101,327,000	61,870,500
TOTAL SOURCE OF FUNDS	153,289,500	159,605,300	170,822,000	135,266,400
EXPENDITURES BY CLASS				
Personnel Cost	31,801,600	34,566,300	29,570,100	31,244,400
Operating Expenses	55,409,400	59,422,700	54,008,600	57,163,300
Grants, Loans or Benefits	49,168,700	49,819,100	82,297,000	40,143,100
Debt Service	1,140,000			1,640,000
Capital Outlay	803,700	814,700	635,500	748,400
Construction	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL EXPENDITURES	139,823,400	146,122,800	168,011,200	132,439,200
EXPENDITURES BY FUND SOURCE				
General Fund	24,578,000	25,374,400	11,147,600	11,127,300
Restricted Funds	55,542,300	57,922,900	55,536,600	59,441,400
Federal Funds	59,703,100	62,825,500	101,327,000	61,870,500
TOTAL EXPENDITURES	139,823,400	146,122,800	168,011,200	132,439,200
EXPENDITURES BY UNIT				
Statutory State Operations	12,640,900	13,270,400	9,284,500	9,264,200
National Guard Operations	7,010,400	7,699,500	193,600	201,000
Self-Sustaining Operations	54,933,700	56,548,700	54,193,700	58,078,700
Federal & Grant Operations	65,238,400	68,604,200	104,339,400	64,895,300
TOTAL EXPENDITURES	139,823,400	146,122,800	168,011,200	132,439,200

The Department of Military Affairs is responsible for all military matters and disaster and emergency service coordination in the Commonwealth. The Governor is constitutional Commander-in-Chief of the National Guard in the state, and appoints the Adjutant General. The Adjutant General commands the Kentucky National Guard and directs and coordinates all programs in the Department.

The Department has the responsibility for organizing, equipping, training, and housing units of the Kentucky National Guard. These units may be called to duty by the Governor in the event of civil strife or disorder, or the occurrence of natural or man-made disasters.

The Department consists of the following organizational units: Office of Management and Administration, which contains the Division of Administrative Services, Division of Facilities, Bluegrass Station Division, and Division of Air Transport; the Division of Disaster and Emergency Management; the Office of Kentucky Community Crisis Response Board; Kentucky

Guard Youth Challenge Division; the Office of the Chief of Staff for Federal Army Guard; the Office of Chief of Staff for Federal Air Guard; and the Kentucky Civil Air Patrol.

Policy

Included in the above federal fund appropriation is \$11,969,200 in fiscal year 2005 and \$11,753,300 in fiscal year 2006 for Department of Homeland Security, State Homeland Security Grant Program grant activities.

Included in the above restricted fund appropriation is \$5,946,300 in fiscal year 2004, \$31,890,600 in fiscal year 2005 and \$32,195,100 in fiscal year 2006, for expanded federal defense contract activity at Bluegrass Station, including the Central Clothing Distribution Facility.

Included in the above General Fund appropriation is \$110,000 in fiscal year 2006 for debt service for the Deferred Maintenance Bond Pool.

Included in the above General Fund appropriation is \$500,000 in fiscal year 2004-2005 and \$300,000 in fiscal year 2005-2006 for Kentucky's efforts regarding the Base Realignment and Closure process.

Included in the above restricted funds appropriation is \$1,373,000 in fiscal year 2005-2006 for debt service to support new bonds for the Bluegrass Station Hangar/Warehouse/Office Building project.

Pursuant to Executive Order 2005-563 signed on June 16, 2005, the Office for Security Coordination was attached to the Office of the Governor for administrative purposes and renamed the Office of Homeland Security.

**General Government
Personnel Board**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	621,000	652,100	543,500	583,500
Total General Fund	<u>621,000</u>	<u>652,100</u>	<u>543,500</u>	<u>583,500</u>
Restricted Funds				
Balance Forward	4,900	6,600	1,900	3,600
Current Receipts	1,700	1,700	1,700	1,700
Total Restricted Funds	<u>6,600</u>	<u>8,300</u>	<u>3,600</u>	<u>5,300</u>
TOTAL SOURCE OF FUNDS	<u>627,600</u>	<u>660,400</u>	<u>547,100</u>	<u>588,800</u>
EXPENDITURES BY CLASS				
Personnel Cost	513,550	543,450	471,600	511,500
Operating Expenses	107,450	108,650	71,900	72,000
TOTAL EXPENDITURES	<u>621,000</u>	<u>652,100</u>	<u>543,500</u>	<u>583,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	621,000	652,100	543,500	583,500
TOTAL EXPENDITURES	<u>621,000</u>	<u>652,100</u>	<u>543,500</u>	<u>583,500</u>

Created by the 1982 General Assembly, the Personnel Board is composed of seven members. The Governor appoints five, and two are classified employees elected by their colleagues. The Board serves in a quasi-judicial capacity and assists the Personnel Cabinet in the development of administrative regulations pertaining to the classified service.

The Personnel Board administers the appeals process of applicants for classified positions and conducts hearings for any non-probationary employee who is dismissed, demoted, suspended or otherwise penalized for cause.

Policy

The Budget of the Commonwealth provides General Fund support of \$40,000 in fiscal year 2006 for expenses associated with the election of Merit System employees to the Board as provided in KRS 18A.0551.

General Government
Governor's Office for Local Development

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	17,396,000	17,702,200	13,947,300	14,893,400
Special Appropriation				95,000
Total General Fund	17,396,000	17,702,200	13,947,300	14,988,400
Restricted Funds				
Balance Forward	2,090,600	1,483,300	1,603,100	490,000
Current Receipts	548,900	550,400	594,200	600,700
Non-Revenue Receipts	311,100	394,000		
Total Restricted Funds	2,950,600	2,427,700	2,197,300	1,090,700
Federal Funds				
Current Receipts	52,533,700	52,594,600	52,430,800	52,430,800
Total Federal Funds	52,533,700	52,594,600	52,430,800	52,430,800
TOTAL SOURCE OF FUNDS	72,880,300	72,724,500	68,575,400	68,509,900
EXPENDITURES BY CLASS				
Personnel Cost	5,728,500	6,125,600	5,860,200	5,951,400
Operating Expenses	1,089,300	1,060,800	1,301,500	1,108,100
Grants, Loans or Benefits	62,509,200	62,089,600	60,395,700	59,884,300
Debt Service	2,070,000	2,070,000	468,000	1,218,000
Capital Outlay			60,000	
TOTAL EXPENDITURES	71,397,000	71,346,000	68,085,400	68,161,800
EXPENDITURES BY FUND SOURCE				
General Fund	17,396,000	17,702,200	13,947,300	14,988,400
Restricted Funds	1,467,300	1,049,200	1,707,300	742,600
Federal Funds	52,533,700	52,594,600	52,430,800	52,430,800
TOTAL EXPENDITURES	71,397,000	71,346,000	68,085,400	68,161,800
EXPENDITURES BY UNIT				
Commissioner	3,204,200	3,271,100	2,425,500	2,578,700
Grants	65,033,700	64,782,600	61,882,000	59,869,300
Financial Management & Administration	2,744,000	2,853,900	2,277,700	2,256,800
Local Initiative for a New Kentucky Office			1,013,200	961,200
Renaissance Kentucky			249,700	2,249,700
Kentucky Appalachian Regional Commission	415,100	438,400	237,300	246,100
TOTAL EXPENDITURES	71,397,000	71,346,000	68,085,400	68,161,800

The Governor's Office for Local Government, pursuant to KRS 147A.002, is an independent agency attached to the Office of the Governor. The agency was reorganized and renamed by Executive Order 04-728. It serves as the liaison between the Governor and local units of government. It coordinates and resolves local government problems. The Department administers grants-in-aid, and serves as the cognizant state agency for Kentucky's fifteen Area Development Districts. These responsibilities are carried out through the Commissioner's Office and four primary administrative units.

The Commissioner's Office formulates policy that governs programs administered by the Department. The General Counsel for the Department is housed within this budgetary unit. The office also serves as a liaison with state and federal agencies that deal with each of the Kentucky's 120 counties, 435 cities, 1400 special districts and the 15 Area Development Districts.

The Trover Grant which brings University of Louisville medical students to the Western Kentucky Coal Fields for a portion of their residency is administered by the Commissioner's Office. The Knott County Arts and Crafts and the Richmond Arts Center Grants are housed in this administrative unit.

The Division of Grants administers the Community Development Block Grant Program for small cities, the Community Economic Growth Grant Program, the Coal Severance Single County Grant Program, the Land and Water Conservation Fund, the Kentucky Recreational Trails Program and State Grants appropriated by the General Assembly. Moreover, the Division develops and conducts training programs for local governments across the Commonwealth in conjunction with other governmental agencies, associations and the Area Development Districts. It maintains the Commonwealth's Clearinghouse for all federal grants and administers the Joint Funding Agreement and Appalachian Regional Commission grants.

The Flood Control Program also is administered by the Grants Division. In partnership with federal and local agencies, the matching program lessens flood damage losses by providing structural and nonstructural assistance to Kentucky communities. The Fund ensures that matching funds required by the U.S. Army Corp of Engineers, Federal Emergency Management Agency (FEMA), and Natural Resources Conservation Service (NRCS) are available for vital projects. The program provides matching dollars for federal grants for straight sewage pipe removal projects funded by the Personal Responsibility in a Desirable Environment (PRIDE) program.

The Office of Renaissance Kentucky serves as the lead state agency for the administration of the Renaissance Kentucky Cities Program. Its mission is to revitalize downtowns by renewing pride in downtown centers, attracting new businesses and jobs, promoting tourism and encouraging cultural growth. Moreover, Renaissance Kentucky encourages the development of attractive housing in downtown centers. The program brings together public and private resources, expertise and incentives to take a comprehensive approach in solving problems of transportation, housing, water and sewer systems, business development and service delivery in cities.

The Local Initiatives for a New Kentucky (LINK) Office makes state government more accessible to Kentuckians by stationing community representatives in seven regional centers across the Commonwealth. LINK representatives answer citizens questions, resolve problems, conduct research and help develop local grant applications.

The Kentucky Appalachian Commission provides assistance to fifty-one counties in the Kentucky Appalachian region by developing, promoting and supporting initiatives that stimulate the development and expansion of a diversified and sustainable economy in the region.

The Division of Financial Management and Administrative Services performs agency administrative functions. It has responsibility for personnel administration, payroll, purchasing, library management, accounting, and budgeting for the entire agency. The Division provides information technology support for the Department and to local government units. This administrative unit also provides technical assistance on local fiscal matters. It is responsible for the management and/or distribution of the Local Government Economic Assistance Fund (LGEAF), the Local Government Economic Development Fund (LGEDF) and the Rural and Municipal Road Aid Programs. Its statutory duties include: the calculation of maximum compensation for elected officials; the dissemination, collection and compilation of uniform financial information from all cities, counties and special taxing districts; the establishment of the standard chart of accounts; and the collection of annual audits and financial statements from all municipalities. This Division provides technical assistance and funding to the Local Government Law Center at Northern Kentucky University.

Policy

The Budget of the Commonwealth provides an allocation from the General Fund in the amount of \$250,000 in each year of the biennium for the Knott County Arts and Crafts Grant.

Included in the enacted budget is an allocation from the General Fund in the amount of \$100,000 in each year of the biennium for the Richmond Arts Center.

Included in the enacted budget is an allocation from the General Fund in the amount of \$1,000,000 in each year of the biennium for the Trover Clinic Grant in Madisonville. NOTE: These General Fund dollars are derived from coal severance tax collections.

The enacted budget provides \$95,500 each year of the biennium for the Local Government Law Center at Northern Kentucky University.

Included in the enacted budget is \$1.5 million from the General Fund in each year of the biennium for the Flood Control Matching Program. These funds are derived from the Local Government Economic Development Program and will be used to provide local matching dollars on behalf of coal counties to complete flood control and PRIDE projects.

The enacted budget provides \$2 million from the General Fund in fiscal year 2005-2006 for Renaissance Kentucky Cities grants.

The Budget of the Commonwealth allocates funding from the General Fund in fiscal year 2004-2005 for the following grants:

- Hopkins County Exposition Center Planning Grant \$150,000
- Union County Jail \$650,000
- Union County Fairgrounds-Arnold Arena \$450,000
- Uniontown Emergency Levee Repair \$100,000
- Union County Library Expansion \$500,000

Included in the enacted budget is \$736,900 in each year of the biennium from the General Fund for the Local Initiatives for a New Kentucky program. The budget further provides that these dollars be supplemented with \$276,300 in fiscal year 2004-2005 and \$224,300 in fiscal year 2005-2006 from agency funds.

The Budget of the Commonwealth includes \$503,500 in fiscal year 2004-2005 and \$512,300 in fiscal year 2005-2006 to administer Local Government Economic Development Fund (LGEDF) single county grants. These funds are derived from the LGEDF program. In fiscal year 2004-2005 these funds were transferred from the Cabinet for Economic Development's Department for Regional Development.

Included within the General Fund appropriation is \$138,800 in fiscal year 2004-2005 and \$271,200 in fiscal year 2005-2006 to support the Community Development Program which replaces the East and West Kentucky Corporation Grants that were administered by the Cabinet for Economic Development in previous biennia. These funds are derived for the LGEDF program.

Included within the General Fund appropriation in fiscal year 2004-2005 and 2005-2006 is \$468,000 for debt service to support bonds in the amount of \$5 million in each year of the biennium. These bond funds will be used to support the new Community Economic Development Growth Program. This program will provide grants to counties, cities, special districts or local school districts to fund projects that will advance the economic development prospects of these localities.

The Budget of the Commonwealth provides an allocation from the General Fund for debt service in fiscal year 2005-2006 of \$559,000 to support bonds in the amount of \$12 million for the construction of the Southeastern Regional Agricultural and Exposition Center in Corbin.

Included within the General Fund appropriation in fiscal year 2005-2006 is \$96,000 from the General Fund for debt service to support bonds in the amount of \$2 million for the Knox County Community Education Center in Barbourville.

House Bill 350 included an appropriation from the General Fund for debt service in fiscal year 2005-2006 of \$95,000 to support the following bond funded projects in Louisville:

- Louisville Science Center \$700,000
- Tom Sawyer Park \$400,000
- Louisville Zoo \$750,000

**General Government
Governor's Office for Local Development
Special Funds**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	75,561,500	79,732,400	81,639,200	75,297,400
Total General Fund	75,561,500	79,732,400	81,639,200	75,297,400
TOTAL SOURCE OF FUNDS	75,561,500	79,732,400	81,639,200	75,297,400
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	75,561,500	79,732,400	81,639,200	75,297,400
TOTAL EXPENDITURES	75,561,500	79,732,400	81,639,200	75,297,400
EXPENDITURES BY FUND SOURCE				
General Fund	75,561,500	79,732,400	81,639,200	75,297,400
TOTAL EXPENDITURES	75,561,500	79,732,400	81,639,200	75,297,400
EXPENDITURES BY UNIT				
Local Government Economic Assistance Fund	31,532,400	31,532,400	42,781,100	41,977,900
Local Government Economic Development Fund	37,029,100	41,200,000	38,048,400	32,509,800
Area Development Fund	7,000,000	7,000,000	809,700	809,700
TOTAL EXPENDITURES	75,561,500	79,732,400	81,639,200	75,297,400

The Special Funds program includes: the Local Government Economic Assistance Fund (LGEAF), the Local Government Economic Development Fund (LGEDF), and the Area Development Fund. Under KRS 42.4585 and KRS 42.4582, quarterly transfers from coal severance tax revenues for these two programs are to be made after an annual \$19 million severance tax allocation is credited to the Workers' Compensation Funding Commission and funds are set aside for the Osteopathic Medicine Scholarship under a formula prescribed by KRS 164.7891. Grants are awarded to eligible students in an amount equal to the difference between the average of the in-state tuition charged at the University of Kentucky and University of Louisville medical schools and tuition at the Osteopathic School of Medicine in Pikeville. Participants must be Kentucky residents and agree to render one year of service as a primary care physician in Kentucky for every year that they receive grants.

Policy

The Budget of the Commonwealth provides that the annual \$19 million severance tax allocation that is dedicated to the Workers' Compensation Funding Commission will instead be directed to the General Fund in fiscal years 2004-2005 through 2005-2006.

The application of the Osteopathic Medicine Scholarship funding formula provides an estimated \$1,255,300 in fiscal year 2004-2005 and \$1,318,500 in fiscal year 2005-2006 for the scholarship program.

Local Government Economic Assistance Fund (LGEAF) In KRS 42.450-42.495, the 1980 General Assembly created the Local Government Assistance Fund (LGEAF) to return a portion of the coal and minerals severance taxes to local governments in areas where the minerals were extracted. These funds are used by those communities to strengthen and diversify the economy and to improve the quality of life of their residents. Counties and cities within those counties that are involved in the production of coal or minerals such as natural gas, oil, and stone are eligible to receive LGEAF payments. Likewise, counties and their cities affected by the transportation of coal are eligible to receive a portion of the returned severance taxes.

The coal severance tax program currently returns funds to an estimated 112 counties and approximately 320 cities at the end of each fiscal quarter. Quarterly allocations are made according to such criteria as population, income, the amount and distance coal is transported over local areas, and taxes collected from the county.

The minerals severance tax program currently returns funds to 100 counties and approximately 360 cities at the end of each fiscal quarter. An amount equal to 50 percent of the taxes collected annually on the sale and processing of minerals, exclusive of coal, is transferred into the LGEAF for subsequent allocation and distribution to local governments. Quarterly payments to counties are determined by the amounts of mineral taxes paid. Distribution to cities is based on relative population.

Local Government Economic Development Fund In KRS 42.458-42.495, the 1992 General Assembly created the Local Government Economic Development Fund (LGEDF) to return a portion of coal severance tax receipts to coal producing counties through a grant process intended to enhance industrial development. Under this program, funds are allocated quarterly to 36 coal producing counties, but distribution may occur only after the use proposed by the county is approved by the Governor's Office for Local Development. Fund allocations to counties are made according to such criteria as coal severance taxes paid, surplus labor rate, relative mining earnings and relative mining employment.

The Governor's Office for Local Development is responsible for LGEDF financial management, accounting, and fund allocation and reporting. It also reviews and approves LGEDF grant applications and oversees those projects. The Cabinet for Economic Development reviews and approves the LGEDF multi-county fund grant applications and oversees those projects.

Notwithstanding KRS 42.4588(2), Local Government Economic Development Fund allocations to each coal-producing county, above the amounts specified through the line item appropriations by the General Assembly, may be used to support nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development with the concurrence of both the respective fiscal court and the Governor's Office for Local Development or the Kentucky Infrastructure Authority, as appropriate.

Notwithstanding KRS 42.4588(2), Local Government Economic Development Fund, Multi-County Fund allocations may be used to support nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development.

The Budget of the Commonwealth provides \$4 million in fiscal year 2005-2006 for the Read to Achieve Program in the Department of Education from the LGEDF before funds are distributed to localities.

The enacted budget continues to provide funding for debt service on School Facilities Construction Commission bonds in the amount of \$3,232,500 in fiscal year 2004-2005 and \$4,617,900 in fiscal year 2005-2006 from the LGEDF before funds are distributed to localities.

Included in the enacted budget is \$1 million in each year of the biennium for the Tourism Marketing Program administered by the Commerce Cabinet. These funds will be allocated before funds are distributed to localities and will be used to promote tourism in coal-producing counties.

The Budget of the Commonwealth provided \$1 million in fiscal year 2005-2006 for the Drug Courts program from the LGEDF before funds are distributed to localities. The Cabinet for Economic Development is authorized to transfer an additional \$1 million from the LGEDF Multi-County Fund to support this effort. These funds will be expended for drug courts serving coal-producing counties only.

Included in the enacted budget is funding to provide local match dollars for the Flood Control Matching Program in the amount of \$1.5 million in each year of the biennium from the LGEDF. These funds will be used for coal counties only.

The enacted budget provides an allocation of \$3,625,000 in fiscal year 2004-2005 and \$3,500,000 in fiscal year 2005-2006 from the LGEDF for projects and programs recommended by the Office of the Commissioner for the New Economy. The projects identified are limited to research and development, commercialization, or workforce-related initiatives consistent with the goals of the New Economy Strategic Plan. Projects must be targeted solely to Kentucky's LGEDF eligible counties.

The Budget of the Commonwealth continues the practice of providing support services provided to coal producing counties by the Economic Development Cabinet and the Department for Local Government in each year of the biennium by allocating \$755,400 in fiscal year 2004-2005 and \$768,500 in fiscal year 2005-2006.

The enacted budget provides funding for the Community Development Office (formally East/West Corporation) now housed in the Governor's Office for Local Development (GOLD). Funds in the amount of \$138,800 in fiscal year 2004-2005 and \$271,200 in fiscal year 2005-2006 will be allocated to GOLD before funds are distributed to localities and will be used in coal-producing counties only.

The enacted budget includes funding for debt service in the amount of \$4,095,100 in fiscal year 2004-2005 and \$4,091,900 in fiscal year 2005-2006 to fund \$80 million in bonds for the Infrastructure Economic Development Fund for Coal Producing Counties. The debt service will be provided from the LGEDF before funds are distributed to the counties. In fiscal year 2005-2006 additional funds in the amount of \$3,725,000 will be transferred to the General Fund from the Multi-County Fund to support debt service on the bonds.

The Budget of the Commonwealth authorizes the Cabinet for Economic Development to transfer \$3,840,000 in fiscal year 2004-2005 from the LGEDF Multi-County Fund to the Environmental and Public Protection Cabinet to support the Surface Mining Bond Pool.

The enacted budget authorizes the Cabinet for Economic Development to transfer \$1.5 million from the LGEDF Multi-County Fund in fiscal year 2005-2006 to the Office of Drug Control Policy (Justice and Public Safety Cabinet) to fund operations in coal-producing counties.

Notwithstanding KRS 42.350, the enacted budget allocates \$809,700 from the General Fund to the Area Development Fund in each year of the biennium.

In accordance with KRS 42.485, the continuing appropriation amount from fiscal year 2004-2005 to fiscal year 2005-2006 will equal the cash balance in the LGEDF and LGEAF accounts at the close of the preceding fiscal year.

Since payments from the LGEAF and LGEDF to local governments are made on a quarterly basis after collection of the taxes, fiscal year 2004-2005 allocations include one quarterly payment from the last three months of fiscal year 2003-2004 collections and three payments from collections made during the first nine months of fiscal year 2004-2005. This process continues in fiscal year 2005-2006 with that year including a payment from the last three months of fiscal year 2005 collections and three payments from the collections made during first nine months of fiscal year 2005-2006.

The amounts reflected above for the LGEAF and the LGEDF are calculated using January 2005 revenue estimates and the enacted rate and transfer policy (see chart on following page). LGEDF appropriations for both fiscal years 2004-2005 and 2005-2006 reflect dollars available to localities after the programs described in the preceding paragraphs are funded.

**Severance Tax Dedicated Programs
Using January, 2005 Consensus Forecast**

	Actual FY 2004	Enacted FY 2005	Enacted FY 2006
Coal Severance Tax	140,093,700	170,955,800	173,487,900
Less: Workers' Comp Set Aside (to General Fund)	-19,000,000	-19,000,000	-19,000,000
Less: Osteopathic Medicine Scholarship Program	-1,480,200	-1,255,300	-1,318,500
Less: Trover Clinic Grant	-1,000,000	-1,000,000	-1,000,000
Total coal severance tax resources to be distributed	118,613,500	149,700,500	152,169,400

Other Severance Tax Resources

Other Severance Taxes			
Minerals Severance	14,081,500	13,438,000	14,392,600
Natural Gas Severance	19,815,500	22,925,400	19,286,400
Oil Production	3,355,200	4,288,600	4,626,000
Total other severance revenue to be distributed	37,252,200	40,652,000	38,305,000

Local Government Economic Assistance Fund (LGEAF) Grand Total

Other severance revenue (50% of revenues)	18,626,000	20,326,000	19,152,500
Coal Severance (15% of Revenues)	20,756,900	22,455,100	22,825,400
Total LGEAF to be distributed to localities	39,382,900	42,781,100	41,977,900

Local Government Economic Development Fund

Funding set asides listed below can only be spent in coal producing counties

Coal severance (35% of amounts remaining to be distributed)	41,514,700	52,395,200	53,259,300
Less: Read to Achieve (Education)			-4,000,000
Less: School Facilities Debt Service (SFCC)	-2,290,000	-3,232,500	-4,617,900
Less: Tourism Marketing (Commerce)		-1,000,000	-1,000,000
Less: Drug Courts (Office of Drug Control Policy)			-1,000,000
Less: Flood Control Matching Program (GOLD)		-1,500,000	-1,500,000
Less: High-Tech Construction/Investment Pool (Econ. Dev)	-1,250,000	-3,625,000	-3,500,000
Less: Regional Development (Econ. Dev.) and GOLD	-783,600	-755,400	-768,500
Less: Community Development Office (GOLD)-formally East/West Kentucky Corporations)		-138,800	-271,200
Less: Debt Service on Bonds for Water Projects (KIA)	-1,999,800	-4,095,100	-4,091,900
Less: ARC and related ARC expenditures (Governor's Office)	-550,000		
Total LGEDF to be Distributed to Counties	34,641,300	38,048,400	32,509,800
Total LGEDF Single County Allocation	23,095,400	25,366,900	21,674,300

Local Government Economic Development Multi-County Fund

Multi-County Allocation (33% of LGEDF County Distribution)	11,545,900	12,681,500	10,835,500
Additional Funds*	11,735,000	7,450,700	1,355,100
Total Multi-County Resources	23,280,900	20,132,200	12,190,600
Less: Drug Courts (Office of Drug Control Policy)			-1,000,000
Less: Surface Mining Bond Pool Fund (EPPC)		-3,840,000	
Less: Operation Unit (Office of Drug Control Policy)			-1,500,000
Less: Debt Service for Water Projects (KIA)			-3,725,000
Less: Multi-County Projects	-12,333,000	-14,937,100	-5,965,600
Less: Debt Service on Water Bonds/West Ky. Corp./Coal Export Council	-3,497,200		
Balance To Be Carried Forward	7,450,700	1,355,100	0

*Balance Forward/ In FY 2005 Estimated Unobligated Balance Dec. 9, 2004 plus estimated interest

**General Government
Commission on Human Rights**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,709,500	2,832,400	1,904,300	1,904,300
Total General Fund	2,709,500	2,832,400	1,904,300	1,904,300
Restricted Funds				
Current Receipts	5,500	10,500	5,500	10,500
Total Restricted Funds	5,500	10,500	5,500	10,500
Federal Funds				
Current Receipts	212,900	212,900	342,700	212,900
Total Federal Funds	212,900	212,900	342,700	212,900
TOTAL SOURCE OF FUNDS	2,927,900	3,055,800	2,252,500	2,127,700
EXPENDITURES BY CLASS				
Personnel Cost	2,382,900	2,559,500	2,003,800	1,914,400
Operating Expenses	545,000	496,300	248,700	213,300
TOTAL EXPENDITURES	2,927,900	3,055,800	2,252,500	2,127,700
EXPENDITURES BY FUND SOURCE				
General Fund	2,709,500	2,832,400	1,904,300	1,904,300
Restricted Funds	5,500	10,500	5,500	10,500
Federal Funds	212,900	212,900	342,700	212,900
TOTAL EXPENDITURES	2,927,900	3,055,800	2,252,500	2,127,700
EXPENDITURES BY UNIT				
General Administration and Support	1,019,400	1,007,600	813,300	658,100
Enforcement Branch	915,200	983,900	735,200	751,600
Research and Information	552,600	596,600	422,400	431,500
Legal Affairs	440,700	467,700	281,600	286,500
TOTAL EXPENDITURES	2,927,900	3,055,800	2,252,500	2,127,700

The Kentucky Commission on Human Rights, pursuant to KRS Chapter 344, investigates, litigates, and administratively decides complaints of discrimination in the areas of employment, public accommodation, housing, and credit based on race, religion, national origin, age, disability, sex, smoking (in employment), and familial status (in housing). The Commission has four service units: General Administration and Support, Enforcement, Research and Information, and Legal Affairs.

General Administration and Support performs personnel and fiscal activities and serves as a liaison with the Governor's Office, legislators, and other agencies in state government. The development of internal policy directives and legislative initiatives are functions of this unit.

The Enforcement Branch consists of two sections: Employment/Public Accommodations and Housing. Employees assigned to these sections receive, investigate, and conciliate complaints of discrimination in the areas of employment, public accommodation, credit transactions, and housing.

The Research and Information Branch provides technical assistance and education to local citizen groups, employers, public accommodations staff, educational institutions, local human rights commissions, and government officials. The staff conducts seminars and workshops on sexual harassment, the Kentucky Civil Rights Act, cultural diversity, and the Americans with Disabilities Act.

The Legal Affairs Branch provides legal advice to inquiries, sworn complaints, and file closures. The legal staff takes depositions of witnesses, prepares legal briefs, and prepares appeals.

Policy

An additional \$129,800 in Federal Funds is provided in fiscal year 2005 for the Commission to continue its work under contracts with the Department of Housing and Urban Development and the Equal Employment Opportunity Commission.

**General Government
Commission on Women**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	325,800	369,300	263,200	263,200
Total General Fund	325,800	369,300	263,200	263,200
Restricted Funds				
Balance Forward			51,400	21,400
Current Receipts	35,000		10,000	
Total Restricted Funds	35,000		61,400	21,400
TOTAL SOURCE OF FUNDS	360,800	369,300	324,600	284,600
EXPENDITURES BY CLASS				
Personnel Cost	279,600	300,500	244,700	246,400
Operating Expenses	81,200	68,800	58,500	37,400
TOTAL EXPENDITURES	360,800	369,300	303,200	283,800
EXPENDITURES BY FUND SOURCE				
General Fund	325,800	369,300	263,200	263,200
Restricted Funds	35,000		40,000	20,600
TOTAL EXPENDITURES	360,800	369,300	303,200	283,800

The Commission on Women, authorized in KRS 344.510, promotes women's interests by advising state agencies, the Governor, the General Assembly, and the private sector. It supports research and discussion about issues of interest to women such as health care, employment, and families.

Policy

Restricted funds in the amount of \$40,000 are provided in fiscal year 2005 for the biannual Women's Economic Summit to be held in June 2005.

**General Government
Kentucky Retirement Systems**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation			4,562,500	11,951,700
Total General Fund			4,562,500	11,951,700
Restricted Funds				
Non-Revenue Receipts	17,784,300	19,065,000	18,684,300	19,965,000
Total Restricted Funds	17,784,300	19,065,000	18,684,300	19,965,000
TOTAL SOURCE OF FUNDS	17,784,300	19,065,000	23,246,800	31,916,700
EXPENDITURES BY CLASS				
Personnel Cost	14,037,600	15,205,000	19,500,100	28,056,700
Operating Expenses	3,315,300	3,396,700	3,315,300	3,396,700
Capital Outlay	431,400	463,300	431,400	463,300
TOTAL EXPENDITURES	17,784,300	19,065,000	23,246,800	31,916,700
EXPENDITURES BY FUND SOURCE				
General Fund			4,562,500	11,951,700
Restricted Funds	17,784,300	19,065,000	18,684,300	19,965,000
TOTAL EXPENDITURES	17,784,300	19,065,000	23,246,800	31,916,700

Kentucky Retirement Systems administers three retirement systems which are qualified governmental defined benefit plans under Section 401(a) of the Internal Revenue Code: Kentucky Employees Retirement System (state employees, universities, health departments, certain boards) governed by KRS 61.510-61.705; County Employees Retirement System (employees of cities, counties, local government entities, and classified employees of school boards) governed by KRS 78.510-78.852; and State Police Retirement System (uniformed officers of Kentucky State Police) governed by KRS 16.505-16.652. Medical insurance benefits are governed by KRS 61.701-61.702. The systems were established in the 1950's to provide a pension that, when coupled with Social Security, would provide the career employee with sufficient income to maintain his or her pre-retirement standard of living.

Kentucky Retirement Systems is administered by a nine-member board of trustees consisting of the Secretary of the Personnel Cabinet, three members appointed by the Governor and five members elected by employees and retirees of the three retirement systems. The Board is responsible for the collection and investment of contributions. Members of the Board are considered fiduciaries and are required to administer the funds in the sole interest of the members and beneficiaries of the systems. The Board is required to invest the funds under the "prudent person" rule. Investments are diversified among common stocks, government and private bonds, real estate and cash equivalents. An annual audit is performed.

Employers contribute a percentage of gross payroll recommended by the actuarial valuation. However, the General Assembly may adopt a rate that varies from the actuarial valuation. Employees contribute at a fixed rate set in the statutes. The assets of the system are considered trust funds. All expenses are paid from the trust.

Policy

Restricted funds provided for the operations of the Kentucky Retirement Systems in the enacted budget are transferred from trust funds held by the System for the benefit of members and beneficiaries. The trust funds include investment earnings, employee contributions, and employer contributions from agencies supported by the General Fund, the Road Fund, federal funds, and agency funds.

The Budget of the Commonwealth includes General Fund support of \$4,562,500 in fiscal year 2005 and \$11,851,700 in fiscal year 2006 to provide a subsidy for retired members who choose couple, family, or parent plus health insurance coverage. The appropriations were necessary as a result of the 2004 Extraordinary Session of the General Assembly.

The enacted budget provides \$100,000 in General Fund subsidy in fiscal year 2006 for those retired members over age 65 that insure their spouses under age 65.

The enacted budget provides \$900,000 restricted fund support in each year of the biennium to support the Operation and Technology Platform of the agency for implementing the Medicare Modernization Act Implementation and Technology Platform Enhancements.

**General Government
Registry of Election Finance**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,555,600	3,650,900	1,409,500	1,409,500
Total General Fund	3,555,600	3,650,900	1,409,500	1,409,500
Restricted Funds				
Balance Forward	955,641	926,641	508,600	
Current Receipts	31,000	161,000	31,000	161,000
Fund Transfers			-539,600	
Total Restricted Funds	986,641	1,087,641		161,000
TOTAL SOURCE OF FUNDS	4,542,241	4,738,541	1,409,500	1,570,500
EXPENDITURES BY CLASS				
Personnel Cost	1,186,700	1,282,000	1,079,800	1,144,700
Operating Expenses	2,428,900	2,428,900	329,700	382,800
TOTAL EXPENDITURES	3,615,600	3,710,900	1,409,500	1,527,500
EXPENDITURES BY FUND SOURCE				
General Fund	3,555,600	3,650,900	1,409,500	1,409,500
Restricted Funds	60,000	60,000		118,000
TOTAL EXPENDITURES	3,615,600	3,710,900	1,409,500	1,527,500
EXPENDITURES BY UNIT				
General Administration and Support	1,555,600	1,650,900	1,409,500	1,409,500
Election Campaign Fund	2,060,000	2,060,000		118,000
TOTAL EXPENDITURES	3,615,600	3,710,900	1,409,500	1,527,500

The role of the Kentucky Registry of Election Finance is to assure the integrity of the Commonwealth's electoral process by making certain there is full public access to campaign financial data and financial disclosure reports, and by administering Kentucky's campaign finance laws.

The Registry ensures that information reports pertinent to election campaign financing are filed on a timely basis and reviews this information for completeness, accuracy, and compliance with campaign finance laws. The Registry's regulatory function includes tracking of candidate and committee election finance activities, audit functions, investigations, review of and response to requests for Advisory Opinions, and adjudication of administrative charges of violations of campaign finance laws.

Under KRS Chapter 121, Kentucky's campaign finance laws apply to ALL candidates for office, including local and statewide candidates, gubernatorial slates, judicial, statewide, legislative, city and county, and school board candidates, as well as political issues committees, permanent committees (PACs), state and local party executive committees, and caucus campaign committees.

The Registry also receives, compiles, and maintains Financial Disclosure Reports of elected officials and candidates for specified offices as provided in KRS Chapter 61.

The Registry annually fills an average of 2,500 requests from the public and media for copies of the reports it maintains. The Registry maintains an information retrieval system to make information accessible to the public and publishes a summary of election financial transactions in the form of an Annual Report.

Pursuant to KRS 121.170(5), the Registry receives copies of reports filed with the Federal Election Commission by federally registered out-of-state permanent committees (PACs) that contribute to Kentucky candidates. These and the reports of other candidates and committees who are required to file with the Federal Election Commission may be viewed via a computer terminal and Internet access at the Registry's office in Frankfort pursuant to 2 U.S.C. Section 439(c).

House Bill 939 passed by the 2000 General Assembly and now codified in KRS 121 required the Registry to develop an Internet-based electronic filing system for candidates' campaign finance reports, and accompanying web-based searchable database. The legislation further required that filer software be provided at no cost to candidates. The Registry has implemented the electronic filing and disclosure system, and it has been operational and successfully received since January 2002.

Policy

Notwithstanding KRS Chapter 121 and KRS Chapter 121A, \$539,600 in fiscal year 2005 shall be transferred from the Registry of Election Finance agency funds to the General Fund.

Senate Bill 112, enacted by the 2005 General Assembly, repeals much of KRS Chapter 121A as related to public financing of gubernatorial campaigns. Since KRS 121A.020 which established the "election campaign fund" has been repealed, the revenue and expenditures for that unit will not materialize in fiscal year 2006.

General Government
Occupational & Professional Boards & Commissions

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	13,051,070	12,828,417	16,769,000	16,454,550
Current Receipts	18,122,900	14,668,600	18,325,500	14,507,600
Non-Revenue Receipts	-209,000	-45,000	-738,200	-178,100
Total Restricted Funds	30,964,970	27,452,017	34,356,300	30,784,050
TOTAL SOURCE OF FUNDS	30,964,970	27,452,017	34,356,300	30,784,050
EXPENDITURES BY CLASS				
Personnel Cost	12,416,153	13,112,624	11,950,500	12,314,700
Operating Expenses	4,936,300	4,582,000	5,316,100	4,621,600
Grants, Loans or Benefits	712,000	712,000	712,000	712,000
Capital Outlay	72,000	85,000	72,000	85,000
TOTAL EXPENDITURES	18,136,453	18,491,624	18,050,600	17,733,300
EXPENDITURES BY FUND SOURCE				
Restricted Funds	18,136,553	18,491,724	18,050,600	17,733,300
TOTAL EXPENDITURES	18,136,553	18,491,724	18,050,600	17,733,300
EXPENDITURES BY UNIT				
Accountancy	588,900	625,800	571,200	604,000
Certification of Alcohol and Drug Counselors	69,000	71,000	65,200	67,200
Architects	300,400	315,600	262,500	265,000
Certification for Professional Art Therapists	11,400	11,400	11,400	11,400
Auctioneers	400,900	403,800	398,800	397,300
Barbering	254,400	258,800	230,300	236,600
Chiropractic Examiners	207,400	216,000	194,400	200,500
Dentistry	587,000	582,000	613,800	618,200
Licensure & Cert. for Dietitians & Nutritionists	74,500	77,500	74,500	77,500
Embalmers and Funeral Directors	257,653	269,224	249,100	249,100
Licensure for Prof. Engineers and Land Surveyors	1,520,900	1,458,600	1,363,600	1,379,400
Certification of Fee-Based Pastoral Counselors	7,500	7,500	7,500	7,500
Registration for Professional Geologists	135,000	135,000	135,000	135,000
Hairdressers and Cosmetologists	811,600	859,100	950,000	998,500
Specialists in Hearing Instruments	56,000	60,000	51,500	55,200
Interpreters for the Deaf and Hard of Hearing	31,000	31,000	31,000	31,000
Examiners & Registration of Landscape Architects	58,500	58,600	58,500	58,600
Licensure of Marriage and Family Therapists	83,200	83,200	83,200	83,200
Medical Licensure	2,227,700	2,317,800	2,110,900	2,119,900
Licensure for Massage Therapy			58,800	62,800
Nursing	4,903,200	5,023,400	5,105,300	4,674,200
Licensure for Nursing Home Administrators	76,200	76,200	76,200	76,200
Licensure for Occupational Therapy	86,000	86,000	86,000	86,000
Ophthalmic Dispensers	62,900	62,900	62,900	62,900
Optometric Examiners	160,000	165,200	159,700	164,100
Pharmacy	916,600	966,900	883,200	896,700

Physical Therapy	268,600	275,400	263,100	264,700
Podiatry	21,100	21,700	21,100	21,700
Private Investigators	66,700	69,400	63,500	64,200
Licensed Professional Counselors	54,700	57,700	53,700	56,200
Proprietary Education	144,300	149,300	144,300	149,300
Examiners of Psychology	176,100	176,100	176,100	176,100
Real Estate Appraisers	593,800	621,100	578,400	589,000
Real Estate Commission	2,278,100	2,240,100	2,251,100	2,179,400
Respiratory Care	173,200	183,300	132,700	139,600
Social Work	145,300	145,300	145,300	145,300
Speech-Language Pathology and Audiology	89,000	92,000	89,000	92,000
Veterinary Examiners	237,800	237,800	237,800	237,800
TOTAL EXPENDITURES	<u>18,136,553</u>	<u>18,491,724</u>	<u>18,050,600</u>	<u>17,733,300</u>

The 39 occupational and professional licensing and regulatory Boards and Commissions were created to safeguard the life, health, safety, and welfare of the people of the Commonwealth who avail themselves of the services licensed or regulated by the Boards. Appointed by the Governor, board members represent both industry and consumer interests.

The general objectives of the Boards and Commissions are: to examine and license all qualified applicants; to enforce the ethical, legal, and professional standards and regulations of the Boards; to ensure compliance with licensure requirements; and to administer the programs of the Boards in an efficient manner. The Boards operate solely from agency receipts.

**General Government
Emergency Medical Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,729,400	2,805,100	2,391,600	2,391,600
Total General Fund	2,729,400	2,805,100	2,391,600	2,391,600
Restricted Funds				
Balance Forward			212,200	212,200
Current Receipts	171,700	171,700	171,700	171,700
Fund Transfers				-300,000
Total Restricted Funds	171,700	171,700	383,900	83,900
Federal Funds				
Current Receipts			1,416,500	436,500
Non-Revenue Receipts	439,300	444,000		
Total Federal Funds	439,300	444,000	1,416,500	436,500
TOTAL SOURCE OF FUNDS	3,340,400	3,420,800	4,192,000	2,912,000
EXPENDITURES BY CLASS				
Personnel Cost	1,132,800	1,213,200	1,069,700	1,104,200
Operating Expenses	650,300	650,300	599,200	422,500
Grants, Loans or Benefits	1,557,300	1,557,300	2,310,900	1,301,400
TOTAL EXPENDITURES	3,340,400	3,420,800	3,979,800	2,828,100
EXPENDITURES BY FUND SOURCE				
General Fund	2,729,400	2,805,100	2,391,600	2,391,600
Restricted Funds	171,700	171,700	171,700	
Federal Funds	439,300	444,000	1,416,500	436,500
TOTAL EXPENDITURES	3,340,400	3,420,800	3,979,800	2,828,100

The Kentucky Board of Emergency Medical Services (KBEMS) was established as an independent board during the 2000 General Assembly and was transferred to the General Government Cabinet by Executive Order 2000-1625. This board administers and regulates the functions of the state's emergency medical services (EMS) system with respect to all first responders, emergency medical technicians, paramedics, ambulance services, and training institutions for emergency personnel.

The Board licenses Paramedics, Emergency Medical Technicians, First Responders, and ambulance services. Field staff inspect all EMS providers and fire/rescue services throughout the state to ensure compliance with state regulatory statutes. The Board provides administrative and technical support for the Emergency Medical Service community by administering grant monies and providing consultative services.

Policy

Notwithstanding KRS 311A.145, a total of \$300,000 in Restricted Funds shall be transferred to Medicaid Benefits in fiscal year 2005-2006 to provide increased state match in order to increase the Medicaid reimbursement for ambulance providers.

**General Government
Executive Branch Ethics Commission**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	509,300	544,000	351,500	351,500
Total General Fund	509,300	544,000	351,500	351,500
Restricted Funds				
Balance Forward	2,000	1,000	2,100	1,100
Current Receipts	1,400	1,400	1,400	1,400
Total Restricted Funds	3,400	2,400	3,500	2,500
TOTAL SOURCE OF FUNDS	512,700	546,400	355,000	354,000
EXPENDITURES BY CLASS				
Personnel Cost	467,100	501,100	345,700	353,400
Operating Expenses	44,600	45,300	8,200	500
TOTAL EXPENDITURES	511,700	546,400	353,900	353,900
EXPENDITURES BY FUND SOURCE				
General Fund	509,300	544,000	351,500	351,500
Restricted Funds	2,400	2,400	2,400	2,400
TOTAL EXPENDITURES	511,700	546,400	353,900	353,900

In accordance with KRS 11A, the Executive Branch Ethics Commission is responsible for reviewing the personal financial interests of the constitutional officers and management personnel in state government in order to prevent conflicts of interest. Additionally, the Commission issues advisory opinions with regard to ethical conduct; investigates possible violations and enforces the Code; and provides a registration mechanism for executive agency lobbyists.

General Government
Appropriations Not Otherwise Classified - Judgments

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation		4,233,300	1,971,300	
Continuing Appropriation	25,889,200	6,466,700		
Total General Fund	<u>25,889,200</u>	<u>10,700,000</u>	<u>1,971,300</u>	
TOTAL SOURCE OF FUNDS	25,889,200	10,700,000	1,971,300	
EXPENDITURES BY CLASS				
Operating Expenses	19,422,500	10,700,000	1,971,300	
TOTAL EXPENDITURES	<u>19,422,500</u>	<u>10,700,000</u>	<u>1,971,300</u>	
EXPENDITURES BY FUND SOURCE				
General Fund	19,422,500	10,700,000	1,971,300	
TOTAL EXPENDITURES	<u>19,422,500</u>	<u>10,700,000</u>	<u>1,971,300</u>	

The fiscal year 2004-2005 appropriation includes contingent liabilities and judgments identified by the Office of the Controller in the Finance and Administration Cabinet. The timing of payments of Judgments is dependent on many factors beyond the control of the Commonwealth. Therefore, it is essential that any funds remaining at the end of fiscal year 2005 and each fiscal year in fiscal biennium 2004-2006 shall not lapse but be allowed to continue into subsequent fiscal years. Notwithstanding any other statute to the contrary, should any other Appropriations Not Otherwise Classified account have an insufficient appropriation in fiscal biennium 2004-2006, any unneeded funds in this account may be used before any allocations are made from either the General Fund Surplus or the Budget Reserve Trust Fund. Any additional judgments or contingent liabilities for fiscal biennium 2004-2006, beyond the amount recommended, will be paid from the General Fund Surplus Account (unappropriated surplus) or the Budget Reserve Trust Fund, if necessary.

General Government
Appropriations Not Otherwise Classified - Miscellaneous

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,194,500	11,435,500	8,353,500	10,382,500
Special Appropriation			424,800	
Total General Fund	11,194,500	11,435,500	8,778,300	10,382,500
TOTAL SOURCE OF FUNDS	11,194,500	11,435,500	8,778,300	10,382,500
EXPENDITURES BY CLASS				
Personnel Cost	6,462,000	6,703,000	4,675,000	6,525,000
Operating Expenses	4,730,000	4,730,000	4,100,800	3,855,000
Grants, Loans or Benefits	2,500	2,500	2,500	2,500
TOTAL EXPENDITURES	11,194,500	11,435,500	8,778,300	10,382,500
EXPENDITURES BY FUND SOURCE				
General Fund	11,194,500	11,435,500	8,778,300	10,382,500
TOTAL EXPENDITURES	11,194,500	11,435,500	8,778,300	10,382,500
EXPENDITURES BY UNIT				
Attorney General Expense	300,000	300,000	225,000	225,000
Board of Claims Award	1,000,000	1,000,000	1,000,000	1,000,000
Guardian Ad Litem	5,800,000	6,000,000	3,900,000	5,900,000
Prior Year Claims	400,000	400,000	396,800	400,000
Unredeemed Checks Refunded	2,300,000	2,300,000	1,549,000	1,500,000
Involuntary Commitments-ICF/MR	60,000	60,000	60,000	60,000
Payments to Frankfort In Lieu of Taxes	195,000	195,000	195,000	195,000
Frankfort Cemetery	2,500	2,500	2,500	2,500
Police Officers and Firefighters-Life Insurance	250,000	250,000	450,000	250,000
Master Commissioners-Employers Retirement	200,000	200,000	200,000	200,000
Master Commissioners-Social Security	402,000	443,000	365,000	365,000
Workers Compensation			150,000	
Medical Malpractice Liability Ins Reimbursements	185,000	185,000	185,000	185,000
Blanket Employee Bonds	100,000	100,000	100,000	100,000
TOTAL EXPENDITURES	11,194,500	11,435,500	8,778,300	10,382,500

Appropriations Not Otherwise Classified (ANOC) are appropriations not related to particular programs. Each item within this category has been given program status so that expenditures can be budgeted and accounted for separately. It includes such items as Attorney General expenses for defending employees of the Commonwealth and prior year claims for legal obligations of the Commonwealth. Any expenditure for costs of items included within this classification over the amounts appropriated is to be paid from the General Fund Surplus account as a Necessary Government Expense.

Although separate budget presentations are included elsewhere for the Judiciary and the Unified Prosecutorial System, the ANOC category includes the employer's share of social security and retirement for master commissioners, and workers' compensation costs for county clerks, sheriffs, and jailers in counties having a population of 70,000 or more.

Policy

The Budget of the Commonwealth does not include funding for workers' compensation costs for county clerks, sheriffs, and jailers in counties having a population of 70,000 or more beyond fiscal year 2004-2005.

The Budget of the Commonwealth transfers the funds for payment of Master Commissioners - Employers Retirement and Master Commissioners - Social Security to the Judicial Branch budget beginning in fiscal year 2005-2006.

**General Government
Kentucky River Authority**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	393,400	909,800	369,500	369,500
Total General Fund	393,400	909,800	369,500	369,500
Restricted Funds				
Balance Forward	4,255,400	360,300	6,037,400	993,000
Current Receipts	1,513,300	1,420,800	1,512,800	1,420,300
Fund Transfers			-86,400	
Total Restricted Funds	5,768,700	1,781,100	7,463,800	2,413,300
TOTAL SOURCE OF FUNDS	6,162,100	2,690,900	7,833,300	2,782,800
EXPENDITURES BY CLASS				
Personnel Cost	800,000	842,000	740,500	744,700
Operating Expenses	207,300	207,900	207,200	203,000
Grants, Loans or Benefits	300,000	300,000	300,000	300,000
Debt Service		811,000		
Capital Outlay	25,000	25,000	25,000	25,000
Construction	4,469,500	505,000	5,567,600	505,000
TOTAL EXPENDITURES	5,801,800	2,690,900	6,840,300	1,777,700
EXPENDITURES BY FUND SOURCE				
General Fund	393,400	909,800	369,500	369,500
Restricted Funds	5,408,400	1,781,100	6,470,800	1,408,200
TOTAL EXPENDITURES	5,801,800	2,690,900	6,840,300	1,777,700
EXPENDITURES BY UNIT				
Kentucky River Authority	5,379,200	1,772,800	6,452,600	1,390,000
Locks and Dams Program	422,600	918,100	387,700	387,700
TOTAL EXPENDITURES	5,801,800	2,690,900	6,840,300	1,777,700

The Kentucky River Authority codified in KRS151.700-730 is composed of 12 members. The Secretary of the Environmental and Public Protection Cabinet and the Secretary of the Finance and Administration Cabinet are ex-officio members and the other 10 members are appointed by the Governor. The Authority is attached to the Finance and Administration Cabinet for administrative purposes. Its primary duty is to manage the water supplies of the Kentucky River Watershed and the lock and dam structures on the River between Carrollton and Beattyville.

Operation of the Authority is financed by a fee imposed on water used from the Kentucky River Basin. Capital improvements to the lock and dam structures are financed by an additional fee on water from the main stem of the Kentucky River. Revenue bonds may be used to leverage these fee receipts.

Policy

Provides an additional \$1,098,100 of restricted funds in fiscal year 2005 to support the Kentucky River Water Release capital project. The previously authorized agency bond funds in the amount of \$4,000,000 for this project were not reauthorized by the 2005 General Assembly because the Kentucky River Authority has opted to use restricted funds at this stage of project development.

Notwithstanding KRS 151.720, \$86,400 agency funds in fiscal year 2005 shall be transferred to the General Fund.

Commerce Cabinet

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	76,973,700	93,217,900	54,261,200	59,301,900
Total General Fund	76,973,700	93,217,900	54,261,200	59,301,900
Restricted Funds				
Balance Forward	34,331,100	29,325,100	43,494,500	39,644,000
Current Receipts	130,157,500	131,905,600	131,857,500	135,088,900
Non-Revenue Receipts	-6,707,300	-6,057,300	-6,034,300	-5,448,300
Fund Transfers	-200,000		-300,000	
Total Restricted Funds	157,581,300	155,173,400	169,017,700	169,284,600
Federal Funds				
Balance Forward	4,466,300	4,441,300	4,466,300	4,441,300
Current Receipts	12,425,800	12,451,800	12,971,300	13,351,800
Total Federal Funds	16,892,100	16,893,100	17,437,600	17,793,100
TOTAL SOURCE OF FUNDS	251,447,100	265,284,400	240,716,500	246,379,600
EXPENDITURES BY CLASS				
Personnel Cost	128,860,500	138,050,500	119,328,700	123,293,000
Operating Expenses	60,593,000	61,450,800	60,726,500	60,744,800
Grants, Loans or Benefits	10,039,100	9,997,400	7,892,600	10,115,600
Debt Service	11,992,000	22,269,600	4,012,300	8,398,900
Capital Outlay	6,396,100	6,333,900	4,671,100	4,377,400
TOTAL EXPENDITURES	217,880,700	238,102,200	196,631,200	206,929,700
EXPENDITURES BY FUND SOURCE				
General Fund	76,973,700	93,217,900	54,261,200	59,301,900
Restricted Funds	128,456,200	132,422,000	129,373,700	134,265,500
Federal Funds	12,450,800	12,462,300	12,996,300	13,362,300
TOTAL EXPENDITURES	217,880,700	238,102,200	196,631,200	206,929,700
EXPENDITURES BY UNIT				
Secretary	4,659,400	4,800,200	4,078,000	6,610,600
Artisans Center	1,635,000	1,715,000	1,827,700	1,979,000
Breaks Interstate Park	275,000	225,000	191,100	191,100
Tourism	8,225,200	8,452,000	8,366,600	8,606,200
Parks	91,055,800	102,540,400	83,202,700	87,074,400
Horse Park Commission	7,961,300	11,767,200	7,394,000	7,222,200
State Fair Board	44,606,900	46,153,500	35,400,000	39,129,300
Fish and Wildlife Resources	40,095,000	42,297,000	38,801,700	38,805,700
Historical Society	8,148,600	8,497,900	7,447,600	7,994,100
Arts Council	6,077,100	5,957,400	5,657,400	5,449,900
Heritage Council	3,778,200	3,861,900	2,144,000	2,143,200
Kentucky Center for the Arts	1,363,200	1,834,700	2,120,400	1,724,000
TOTAL EXPENDITURES	217,880,700	238,102,200	196,631,200	206,929,700

Executive Order 2003-064, ratified by the 2005 Regular Session of the General Assembly, created the Commerce Cabinet combining the former Tourism Development Cabinet and elements of the Education, Arts, and Humanities Cabinet. The

Commerce Cabinet's mission (KRS 148.522) is to capitalize on the natural assets of the Commonwealth and draw from resources in business development, tourism, outdoor attractions, arts, and cultural heritage. Through unified efforts of its agencies, the Cabinet will continually strive to improve the quality of life of the people of Kentucky by creating new wealth and generating jobs. The Cabinet estimates tourism spending in excess of \$8.8 billion annually, making tourism Kentucky's third-largest industry. The tourism industry, Kentucky's second-largest private employer, provides employment for approximately 163,000 Kentuckians. In addition, tourism related industries and businesses generate approximately \$917 million of state and local tax revenues in the Commonwealth.

Policy

Executive Order 2003-064 transferred the following entities from the Education, Arts, and Humanities Cabinet to the Commerce Cabinet:

- The Kentucky Arts Council
- The Kentucky Historical Society
- The Kentucky Center for the Arts
- The Kentucky Craft Marketing program
- The Governor's School for the Arts
- The Kentucky African -American Heritage Commission
- The Kentucky Heritage Council
- The Kentucky Humanities Council

Executive Order 2003-064 also transferred the following entities from the Governor's Office to the Commerce Cabinet:

- The Kentucky Coal Council and the Office of Coal Marketing and Export
- The Commission on Small Business Advocacy

Subsequent to the original reorganization, Executive Order 2004-723 transferred the following entities from the Finance and Administration Cabinet to the Commerce Cabinet:

- Capital Plaza Operations
- Creative Services

Each of the above Executive Orders was ratified in the 2005 Regular Session of the General Assembly by Senate Bill 40. Within Senate Bill 40, the Commission on Small Business Advocacy was transferred to the Economic Development Cabinet. Also added by Senate Bill 40 and attached to the Office of the Secretary's appropriation unit was the Office of Energy Policy. The old Division of Energy within the Environmental and Public Protection Cabinet was transferred to this new Office by Senate Bill 41. In addition, Senate Bill 65 created the Kentucky Sports Authority and attached it to the Office of the Secretary's appropriation unit.

**Commerce Cabinet
Secretary**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,796,700	3,031,900	2,662,200	5,224,800
Total General Fund	2,796,700	3,031,900	2,662,200	5,224,800
Restricted Funds				
Balance Forward	701,000	426,500	801,500	493,900
Current Receipts	888,200	888,200	788,200	788,200
Non-Revenue Receipts	700,000	700,000	400,000	400,000
Fund Transfers			-80,000	
Total Restricted Funds	2,289,200	2,014,700	1,909,700	1,682,100
TOTAL SOURCE OF FUNDS	5,085,900	5,046,600	4,571,900	6,906,900
EXPENDITURES BY CLASS				
Personnel Cost	3,109,100	3,355,200	2,955,700	3,331,300
Operating Expenses	806,200	770,000	672,300	829,300
Grants, Loans or Benefits	670,000	670,000	400,000	2,450,000
Capital Outlay	74,100	5,000	50,000	
TOTAL EXPENDITURES	4,659,400	4,800,200	4,078,000	6,610,600
EXPENDITURES BY FUND SOURCE				
General Fund	2,796,700	3,031,900	2,662,200	5,224,800
Restricted Funds	1,862,700	1,768,300	1,415,800	1,385,800
TOTAL EXPENDITURES	4,659,400	4,800,200	4,078,000	6,610,600
EXPENDITURES BY UNIT				
Executive Policy and Management	1,480,700	1,571,300	1,750,200	3,860,200
Administrative Services	127,300	133,800		
Coal Marketing and Export Council	718,100	740,400	517,000	567,000
Commission on Small Business Advocacy	488,800	524,800	122,200	524,800
Capital Plaza Operations	740,900	787,700	715,800	685,800
Creative Services	1,103,600	1,042,200	972,800	972,800
TOTAL EXPENDITURES	4,659,400	4,800,200	4,078,000	6,610,600

Executive Order 2003-064, which was ratified by the 2005 Regular Session of the General Assembly, created the Commerce Cabinet combining the former Tourism Development Cabinet and elements of the Education, Arts and Humanities Cabinet. The Office of the Secretary of the Commerce Cabinet coordinates the various agencies within the Cabinet.

The Executive Policy and Management unit directs planning and management of the agencies within the Cabinet. This program develops plans to assure orderly growth and improved management, recommends executive actions and legislative measures, and evaluates agency budget requests.

Policy

The Kentucky Coal Council and the Office of Coal Marketing and Export (KRS 154.12-250) was transferred from the Governor's Office to the Commerce Cabinet.

The 2005 General Assembly took the following actions:

- Added by Senate Bill 40 and attached to the Office of the Secretary's appropriation unit was the Office of Energy Policy. The old Division of Energy within the Environmental and Public Protection Cabinet was transferred to this new Office by Senate Bill 41.
- Senate Bill 65 created the Kentucky Sports Authority and attached it to the Office of the Secretary's appropriation unit.
- The Creative Services and the Capital Plaza Operations programs were transferred from the Finance and Administration Cabinet to the Commerce Cabinet, Office of the Secretary, by Senate Bill 40.
- The Commission on Small Business Advocacy was transferred from the Governor's Office to the Commerce Cabinet's Office of the Secretary by Executive Order 2003-064. Subsequent to the Executive Order, this Office was transferred to the Economic Development Cabinet by Senate Bill 40.

The Budget of the Commonwealth includes \$330,000 in each year of the biennium for outdoor drama grants.

**Commerce Cabinet
Breaks Interstate Park**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	275,000	225,000	191,100	191,100
Total General Fund	<u>275,000</u>	<u>225,000</u>	<u>191,100</u>	<u>191,100</u>
TOTAL SOURCE OF FUNDS	275,000	225,000	191,100	191,100
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	275,000	225,000	191,100	191,100
TOTAL EXPENDITURES	<u>275,000</u>	<u>225,000</u>	<u>191,100</u>	<u>191,100</u>
EXPENDITURES BY FUND SOURCE				
General Fund	275,000	225,000	191,100	191,100
TOTAL EXPENDITURES	<u>275,000</u>	<u>225,000</u>	<u>191,100</u>	<u>191,100</u>

The Breaks Interstate Park, created by KRS 148.220 in 1954 by joint action of the Kentucky and Virginia legislatures, is governed by the Breaks Interstate Park Commission. The Commission is composed of three members from each state appointed by their respective governors. Kentucky provides financial support for the Park in the form of a grant to the Commission.

The Park, which contains 4,500 acres of woodlands, mountains, and the largest canyon east of the Mississippi River, attracts approximately 380,000 visitors each year. Breaks Interstate Park provides recreation for the people of Kentucky and Virginia in an area where recreational opportunities are limited.

**Commerce Cabinet
Artisans Center**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	635,000	705,000	213,800	183,800
Total General Fund	<u>635,000</u>	<u>705,000</u>	<u>213,800</u>	<u>183,800</u>
Restricted Funds				
Balance Forward			217,100	197,100
Current Receipts	1,000,000	1,010,000	1,283,900	1,465,200
Non-Revenue Receipts			330,000	330,000
Fund Transfers			-20,000	
Total Restricted Funds	<u>1,000,000</u>	<u>1,010,000</u>	<u>1,811,000</u>	<u>1,992,300</u>
TOTAL SOURCE OF FUNDS	<u>1,635,000</u>	<u>1,715,000</u>	<u>2,024,800</u>	<u>2,176,100</u>
EXPENDITURES BY CLASS				
Personnel Cost	704,700	758,500	713,700	853,600
Operating Expenses	930,300	956,500	1,114,000	1,125,400
TOTAL EXPENDITURES	<u>1,635,000</u>	<u>1,715,000</u>	<u>1,827,700</u>	<u>1,979,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	635,000	705,000	213,800	183,800
Restricted Funds	1,000,000	1,010,000	1,613,900	1,795,200
TOTAL EXPENDITURES	<u>1,635,000</u>	<u>1,715,000</u>	<u>1,827,700</u>	<u>1,979,000</u>

The Kentucky Artisans Center at Berea is an icon for Kentucky's nationally known arts and crafts products and serves as a gateway for travelers to quality Kentucky arts, crafts, music, and other artisan products and authentic heritage experiences. The Center also provides exemplary hospitality and rest stop services.

The Kentucky Artisan's Center Gateway Authority (KRS 148.560 - 569) was created to direct operations of the center and is attached to the Commerce Cabinet for administrative purposes.

Policy

The non-revenue receipts reflected in the Artisans Center budget originate as investment income on the Artisans Center's capital construction project proceeds. This source of income will be exhausted at the end of fiscal year 2006.

Commerce Cabinet

Tourism

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,225,200	8,452,000	8,096,200	8,606,200
Total General Fund	8,225,200	8,452,000	8,096,200	8,606,200
Restricted Funds				
Balance Forward	1,700	1,700	206,400	
Non-Revenue Receipts			64,000	
Total Restricted Funds	1,700	1,700	270,400	
TOTAL SOURCE OF FUNDS	8,226,900	8,453,700	8,366,600	8,606,200
EXPENDITURES BY CLASS				
Personnel Cost	6,136,400	6,364,200	6,007,800	6,518,400
Operating Expenses	1,258,800	1,257,800	1,528,800	1,257,800
Grants, Loans or Benefits	830,000	830,000	830,000	830,000
TOTAL EXPENDITURES	8,225,200	8,452,000	8,366,600	8,606,200
EXPENDITURES BY FUND SOURCE				
General Fund	8,225,200	8,452,000	8,096,200	8,606,200
Restricted Funds			270,400	
TOTAL EXPENDITURES	8,225,200	8,452,000	8,366,600	8,606,200
EXPENDITURES BY UNIT				
Executive Policy and Management	939,700	995,800	820,900	820,900
Tourism Services	1,903,100	2,033,900	3,504,100	3,234,100
Marketing and Advertising	5,382,400	5,422,300	4,041,600	4,551,200
TOTAL EXPENDITURES	8,225,200	8,452,000	8,366,600	8,606,200

The Department of Tourism was created to promote, develop, and provide support services for the tourism industry within the Commonwealth.

The Executive Policy and Management program establishes the policies and goals; coordinates the overall planning, management, and direction for the agency; and provides for the efficient administration of the Department and its programs.

The Tourism Services Division operates welcome centers in Florence, Franklin, Grayson, Hopkinsville, Paducah, Simpsonville, Shepherdsville, and Williamsburg; generates sales revenue to Kentucky's tourism industry through trade show participation and pursuit of group, commercial, and individual markets; and disseminates tourism information to tourists and potential visitors via a telephone system, direct mail, and the welcome centers. The goal of the Tourism Services Division is to conduct a comprehensive travel promotion campaign and to serve Kentucky's private sector tourism industry. This program also markets and promotes Kentucky to the film industry to attract television and feature movie productions to the state.

The Marketing and Advertising Division develops and coordinates state tourism advertising and tourism media placement; coordinates and produces tourism brochures and sales promotion materials; assists non-profit private sector groups with advertising and promotion costs through matching funds and cooperative advertising programs; develops and maintains the department's website (www.kentuckytourism.com); and develops and maintains a marketing and research data base on Kentucky's tourism industry. The goal of this program is to develop, coordinate, and maintain a comprehensive advertising campaign to promote Kentucky as a tourism destination.

Policy

The Budget of the Commonwealth includes an additional \$1,000,000 in General Funds in fiscal year 2005 and in fiscal year 2006 for tourism marketing and development on behalf of coal producing counties. Notwithstanding KRS 45.228, the unexpended balance of the \$1,000,000 in fiscal year 2004-2005 shall not lapse and shall be carried forward into fiscal year 2005-2006.

House Bill 272 of the 2005 General Assembly established a one percent transient room tax and dedicated the revenue from that tax to a new fund titled The Tourism, Meeting, and Convention Marketing Fund. The Tourism, Meeting, and Convention Marketing Fund shall be used for the sole purpose of marketing and promoting tourism in the Commonwealth including expenditures to market and promote events and venues related to meetings, conventions, trade shows, cultural activities, historical sites, recreation, entertainment, natural phenomena, areas of scenic beauty, craft marketing, and any other economic activity that brings tourists and visitors to the Commonwealth. This new fund shall not support expenditures on capital construction projects.

Commerce Cabinet

Parks

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	39,446,100	50,402,700	27,574,400	27,767,600
Total General Fund	39,446,100	50,402,700	27,574,400	27,767,600
Restricted Funds				
Balance Forward	892,400	482,700	2,601,900	2,607,500
Current Receipts	50,950,000	51,475,000	54,543,900	56,433,100
Non-Revenue Receipts	250,000	250,000	1,200,000	1,200,000
Fund Transfers	-110,000		-110,000	
Total Restricted Funds	51,982,400	52,207,700	58,235,800	60,240,600
TOTAL SOURCE OF FUNDS	91,428,500	102,610,400	85,810,200	88,008,200
EXPENDITURES BY CLASS				
Personnel Cost	57,392,900	61,673,300	51,232,700	52,799,100
Operating Expenses	30,656,200	31,189,000	31,202,100	31,675,100
Debt Service		6,585,000		1,752,000
Capital Outlay	3,006,700	3,093,100	767,900	848,200
TOTAL EXPENDITURES	91,055,800	102,540,400	83,202,700	87,074,400
EXPENDITURES BY FUND SOURCE				
General Fund	39,446,100	50,402,700	27,574,400	27,767,600
Restricted Funds	51,609,700	52,137,700	55,628,300	59,306,800
TOTAL EXPENDITURES	91,055,800	102,540,400	83,202,700	87,074,400
EXPENDITURES BY UNIT				
General Administration and Support	12,881,900	13,658,300	9,174,500	9,174,500
Resort Parks	61,123,400	64,339,200	56,073,900	57,715,100
Recreation Parks and Historic Sites	16,128,600	16,940,200	15,802,600	16,202,600
Cafeterias	921,900	1,017,700	2,151,700	2,230,200
Debt Service		6,585,000		1,752,000
TOTAL EXPENDITURES	91,055,800	102,540,400	83,202,700	87,074,400

The Department of Parks administers and operates the Kentucky State Park System under the authority of KRS 148. The Department strives to provide quality recreational facilities and to preserve and protect historically significant sites and natural phenomena in the Commonwealth of Kentucky.

The activities of the Department include the operation and maintenance of 17 resort parks, 24 recreational parks, 11 historic sites, and the Capitol Annex Cafeteria in Frankfort.

Policy

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Budget of the Commonwealth permits the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks. Specifically, \$1,200,000 in fiscal year 2005 and \$1,200,000 in fiscal year 2006 is included from this fund to support the ongoing operations of the State's park system. Should these amounts prove to be insufficient to support

the continuation of other recommended programs of the Department, this account is available as an authorized source of funds to be used for any unanticipated restricted funds revenue shortfall and/or unanticipated expenditure upon approval of the State Budget Director and reporting to the Interim Joint Appropriations and Revenue Committee and the Capital Projects and Bond Oversight Committee.

Included in the Budget of the Commonwealth is funding for the operation of new cafeterias in the new Transportation Cabinet building and the Health and Family Services Cabinet building. The new cafeterias are expected to be self-supporting.

Included in the Budget of the Commonwealth are rate increases consistent with local markets for key park facilities including accommodations, campgrounds, food, golf courses, site admissions, and recreational activities.

Included in the Budget of the Commonwealth is \$1,630,000 in General Funds in fiscal year 2006 for debt service on the new \$35 million Parks Renovation Pool project. Also included is \$96,000 in General Funds in fiscal year 2006 for debt service for a study of the development of the Herrington Lake area and \$26,000 in fiscal year 2006 for debt service for land acquisition at Kincaid Lake.

**Commerce Cabinet
Parks
General Administration and Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,631,900	13,408,300	8,624,500	8,624,500
Total General Fund	12,631,900	13,408,300	8,624,500	8,624,500
Restricted Funds				
Balance Forward			45,600	45,600
Non-Revenue Receipts	250,000	250,000	550,000	550,000
Total Restricted Funds	250,000	250,000	595,600	595,600
TOTAL SOURCE OF FUNDS	12,881,900	13,658,300	9,220,100	9,220,100
EXPENDITURES BY CLASS				
Personnel Cost	9,363,900	10,100,000	6,648,300	6,648,300
Operating Expenses	3,054,000	3,088,200	2,301,000	2,301,000
Capital Outlay	464,000	470,100	225,200	225,200
TOTAL EXPENDITURES	12,881,900	13,658,300	9,174,500	9,174,500
EXPENDITURES BY FUND SOURCE				
General Fund	12,631,900	13,408,300	8,624,500	8,624,500
Restricted Funds	250,000	250,000	550,000	550,000
TOTAL EXPENDITURES	12,881,900	13,658,300	9,174,500	9,174,500

The General Administration and Support program provides an organizational and administrative system which ensures that the park system's 52 operations are maintained and operated in an efficient manner.

Policy

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the enacted budget includes the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks.

**Commerce Cabinet
Parks
Resort Parks**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	18,753,100	21,518,900	12,373,900	10,815,100
Total General Fund	18,753,100	21,518,900	12,373,900	10,815,100
Restricted Funds				
Balance Forward	640,600	320,300	1,948,300	1,588,300
Current Receipts	42,050,000	42,500,000	43,700,000	45,400,000
Non-Revenue Receipts			-250,000	350,000
Fund Transfers	-110,000		-110,000	
Total Restricted Funds	42,580,600	42,820,300	45,288,300	47,338,300
TOTAL SOURCE OF FUNDS	61,333,700	64,339,200	57,662,200	58,153,400
EXPENDITURES BY CLASS				
Personnel Cost	36,595,500	39,361,500	33,196,000	34,387,400
Operating Expenses	22,150,400	22,520,100	22,500,400	22,870,100
Capital Outlay	2,377,500	2,457,600	377,500	457,600
TOTAL EXPENDITURES	61,123,400	64,339,200	56,073,900	57,715,100
EXPENDITURES BY FUND SOURCE				
General Fund	18,753,100	21,518,900	12,373,900	10,815,100
Restricted Funds	42,370,300	42,820,300	43,700,000	46,900,000
TOTAL EXPENDITURES	61,123,400	64,339,200	56,073,900	57,715,100

The Resort Parks program encourages tourism and economic development in Kentucky by providing excellent overnight accommodations, quality food service, and recreational activities for visitors at the 17 resort parks. The resort parks and their locations are:

Barren River Resort Park - Barren County	Kenlake Resort Park - Marshall County
Blue Licks Battlefield State Park - Robertson County	Kentucky Dam Village Resort - Marshall County
Buckhorn Lake Resort Park - Perry County	Lake Barkley Resort Park - Trigg County
Carter Caves Resort Park - Carter County	Lake Cumberland Resort Park - Russell County
Cumberland Falls Resort Park - Whitley County	Natural Bridge Resort Park - Powell County
Dale Hollow Resort Park - Cumberland and Clinton Counties	Pennyrile Forest Resort Park - Christian County
General Butler Resort Park - Carroll County	Pine Mountain Resort Park - Bell County
Greenbo Lake Resort Park - Greenup County	Rough River Resort Park - Grayson County
Jenny Wiley Resort Park - Floyd County	

The Department estimates that in fiscal year 2005, the resort parks will provide overnight accommodations for 620,000 guests and serve 1.6 million meals.

Policy

Included in the Budget of the Commonwealth are rate increases consistent with local markets for key park facilities including accommodations, campgrounds, food, golf courses, site admissions and recreational activities.

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Budget of the Commonwealth permits the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks.

**Commerce Cabinet
Parks
Recreation Parks and Historic Sites**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,473,600	8,260,200	6,202,600	6,202,600
Total General Fund	7,473,600	8,260,200	6,202,600	6,202,600
Restricted Funds				
Balance Forward	178,100	98,100	589,900	964,900
Current Receipts	8,575,000	8,600,000	9,075,000	9,185,000
Non-Revenue Receipts			900,000	300,000
Total Restricted Funds	8,753,100	8,698,100	10,564,900	10,449,900
TOTAL SOURCE OF FUNDS	16,226,700	16,958,300	16,767,500	16,652,500
EXPENDITURES BY CLASS				
Personnel Cost	10,955,000	11,692,400	10,645,100	11,020,100
Operating Expenses	5,023,600	5,097,800	5,007,500	5,032,500
Capital Outlay	150,000	150,000	150,000	150,000
TOTAL EXPENDITURES	16,128,600	16,940,200	15,802,600	16,202,600
EXPENDITURES BY FUND SOURCE				
General Fund	7,473,600	8,260,200	6,202,600	6,202,600
Restricted Funds	8,655,000	8,680,000	9,600,000	10,000,000
TOTAL EXPENDITURES	16,128,600	16,940,200	15,802,600	16,202,600

The Recreation Parks and Historic Sites program encourages tourism and economic development in Kentucky by providing modern recreational and camping facilities and preserving significant scenic and historic landmarks, as well as operating museums and shrines. In fiscal year 2005, the camping areas were expected to attract approximately 300,000 visitors and museums were expected to host 305,000.

Recreation Park Facilities

Ben Hawes State Park - Daviess County	Kingdom Come State Park - Harlan County
Big Bone Lick State Park - Boone County	Lake Malone State Park - Muhlenberg County
Carr Creek State Park - Knott County	Levi Jackson Wilderness Road State Park - Laurel County
Columbus-Belmont Battlefield State Park - Hickman County	Lincoln Homestead State Park - Washington County
E. P. "Tom" Sawyer State Park - Jefferson County	Mineral Mound State Park - Lyon County
Fish Trap Lake State Park - Pike County	My Old Kentucky Home State Park - Nelson County
Fort Boonesborough State Park - Madison County	Nolin Lake State Park - Edmonson County
General Burnside State Park - Pulaski County	Old Fort Harrod State Park - Mercer County
Grayson Lake State Park - Elliott and Carter Counties	Paintsville Lake State Park - Johnson County
Green River Lake State Park - Taylor County	Pine Mountain Trail State Park - Harlan & Bell Counties
John James Audubon State Park - Henderson County	Taylorsville Lake State Park - Spencer County
Kincaid Lake State Park - Pendleton County	Yatesville Lake State Park - Lawrence County

Historic Sites

Boone Station - Fayette County	Old Mulkey Meeting House State Shrine - Monroe County
Constitution Square State Shrine - Boyle County	Perryville Battlefield State Shrine - Boyle County

Dr. Thomas Walker State Shrine - Knox County
Isaac Shelby State Shrine - Lincoln County
Jefferson Davis Monument State Shrine - Todd County

Waveland State Shrine - Fayette County
White Hall State Shrine - Madison County
William Whitley House State Shrine - Lincoln County
Wickliffe Mounds State Historic Site - Ballard County

Policy

Included in the Budget of the Commonwealth are rate increases consistent with local markets for key park facilities including accommodations, campgrounds, food, golf courses, site admissions and recreational activities.

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Budget of the Commonwealth permits the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks.

Commerce Cabinet**Parks****Cafeterias**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	587,500	630,300	373,400	373,400
Total General Fund	587,500	630,300	373,400	373,400
Restricted Funds				
Balance Forward	73,700	64,300	18,100	8,700
Current Receipts	325,000	375,000	1,768,900	1,848,100
Total Restricted Funds	398,700	439,300	1,787,000	1,856,800
TOTAL SOURCE OF FUNDS	986,200	1,069,600	2,160,400	2,230,200
EXPENDITURES BY CLASS				
Personnel Cost	478,500	519,400	743,300	743,300
Operating Expenses	428,200	482,900	1,393,200	1,471,500
Capital Outlay	15,200	15,400	15,200	15,400
TOTAL EXPENDITURES	921,900	1,017,700	2,151,700	2,230,200
EXPENDITURES BY FUND SOURCE				
General Fund	587,500	630,300	373,400	373,400
Restricted Funds	334,400	387,400	1,778,300	1,856,800
TOTAL EXPENDITURES	921,900	1,017,700	2,151,700	2,230,200

The Cafeteria program provides food service in the Capitol Annex for members of the General Assembly, state employees, and visitors to the state offices in Frankfort. The cafeterias served over 100,000 meals in fiscal year 2004 generating sales of approximately \$603,000.

Policy

Included in the [Budget of the Commonwealth](#) is funding for the operation of new cafeterias in the new Transportation Cabinet building and the Health and Family Services Cabinet building. The new cafeterias are expected to be self-supporting.

**Commerce Cabinet
Parks
Debt Service**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation		6,585,000		1,752,000
Total General Fund		6,585,000		1,752,000
TOTAL SOURCE OF FUNDS		6,585,000		1,752,000
EXPENDITURES BY CLASS				
Debt Service		6,585,000		1,752,000
TOTAL EXPENDITURES		6,585,000		1,752,000
EXPENDITURES BY FUND SOURCE				
General Fund		6,585,000		1,752,000
TOTAL EXPENDITURES		6,585,000		1,752,000

All currently authorized General Fund debt service costs are budgeted in the Finance and Administration Cabinet in the 2004-2006 biennium.

Policy

Included in the Budget of the Commonwealth is \$1,630,000 in General Funds in fiscal year 2006 for debt service on the new \$35 million Parks Renovation Pool project. Also included is \$96,000 General Funds in fiscal year 2006 for debt service for a study of the development of the Herrington Lake area and \$26,000 in fiscal year 2006 for debt service for land acquisition at Kincaid Lake.

**Commerce Cabinet
Horse Park Commission**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,438,500	6,238,200	1,871,200	1,693,200
Total General Fund	2,438,500	6,238,200	1,871,200	1,693,200
Restricted Funds				
Balance Forward	107,300	107,300	135,200	95,200
Current Receipts	5,522,800	5,529,000	5,522,800	5,529,000
Fund Transfers	-40,000		-40,000	
Total Restricted Funds	5,590,100	5,636,300	5,618,000	5,624,200
TOTAL SOURCE OF FUNDS	8,028,600	11,874,500	7,489,200	7,317,400
EXPENDITURES BY CLASS				
Personnel Cost	4,933,500	5,313,800	4,258,800	4,265,000
Operating Expenses	2,982,800	2,982,800	3,135,200	2,885,200
Debt Service		3,425,600		72,000
Capital Outlay	45,000	45,000		
TOTAL EXPENDITURES	7,961,300	11,767,200	7,394,000	7,222,200
EXPENDITURES BY FUND SOURCE				
General Fund	2,438,500	6,238,200	1,871,200	1,693,200
Restricted Funds	5,522,800	5,529,000	5,522,800	5,529,000
TOTAL EXPENDITURES	7,961,300	11,767,200	7,394,000	7,222,200

The Kentucky Horse Park (KRS 148.250) is comprised of 1224 acres on which are situated over 110 structures, 34 miles of fencing and 260 campsites. Horse Park programs consist primarily of four main functions:

1) **Equine Theme Park**-The central area of the Park contains tourist activities that include the Visitor Information Center, International Museum of the Horse, Gift Shop, Restaurant, Parade of Breeds and Hall of Champions Shows, Horseback Riding, Horse Drawn Tours, and other activities. 160,000 people visit annually generating \$3.5 million in revenue.

2) **Events**-The Horse Park is the host venue for both equine and non-equine special events. Horse shows are central to the mission of the Park and comprise the majority of special event activities. 60 annual equine events utilize 21 pole barns (1086 stalls), a 1200 seat covered arena, show office complex, six hunter-jumper rings, four dressage rings, 7800 yard cross country course, steeplechase course, and other ancillary structures. In 2004, horse events attracted approximately 384,000 people and \$1.3 million in revenue. The Park also hosts non-equine events that include soccer, high school cross country, dog shows, "Old Kentucky Nights" evening programs, "Southern Lights" holiday lights show and many other events.

3) **Campground**-The popular Campground is made up of 260 campsites with water/electric hook ups, grocery store, two bathhouses, pool, tennis courts, playground, and covered pavilion. 102,000 people camp at the Horse Park generating more than \$1,115,000 in direct income annually.

4) **National Horse Center**-Another area of remarkable growth has been the National Horse Center, a collection of the nation's and the state's leading equestrian organizations. The NHC now includes 24 distinct organizations contained in 9 office buildings. The NHC has solidified the Horse Park's key role in making Kentucky truly the "Horse Capital of the World."

Policy

The Budget of the Commonwealth includes a \$72,000 in General Fund in fiscal year 2005-2006 for debt service for the design of a new indoor arena.

**Commerce Cabinet
State Fair Board**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,070,000	7,070,000	396,800	2,724,800
Total General Fund	7,070,000	7,070,000	396,800	2,724,800
Restricted Funds				
Balance Forward	2,482,000	2,599,000	2,045,700	2,003,700
Current Receipts	38,653,900	40,229,400	36,382,200	37,749,500
Non-Revenue Receipts	-1,000,000	-1,000,000	-1,371,000	-1,371,000
Fund Transfers	-50,000		-50,000	
Total Restricted Funds	40,085,900	41,828,400	37,006,900	38,382,200
TOTAL SOURCE OF FUNDS	47,155,900	48,898,400	37,403,700	41,107,000
EXPENDITURES BY CLASS				
Personnel Cost	19,507,700	20,683,400	19,038,900	20,284,600
Operating Expenses	11,293,700	11,655,800	10,722,900	10,643,900
Grants, Loans or Benefits	1,543,900	1,545,200	1,500,400	1,500,400
Debt Service	11,992,000	11,992,000	4,012,300	6,574,900
Capital Outlay	269,600	277,100	125,500	125,500
TOTAL EXPENDITURES	44,606,900	46,153,500	35,400,000	39,129,300
EXPENDITURES BY FUND SOURCE				
General Fund	7,070,000	7,070,000	396,800	2,724,800
Restricted Funds	37,536,900	39,083,500	35,003,200	36,404,500
TOTAL EXPENDITURES	44,606,900	46,153,500	35,400,000	39,129,300
EXPENDITURES BY UNIT				
Kentucky Fair and Exposition Center	27,965,300	29,303,100	26,738,100	28,130,800
Kentucky International Convention Center	4,649,600	4,858,400	4,649,600	4,657,600
Debt Service	11,992,000	11,992,000	4,012,300	6,340,900
TOTAL EXPENDITURES	44,606,900	46,153,500	35,400,000	39,129,300

The Kentucky State Fair Board authorized in KRS 247 is composed of 15 members: the Governor, the Commissioner of Agriculture, the Dean of the College of Agriculture at the University of Kentucky, and 12 members, all which are appointed by the Governor. Five of the 12 members appointed by the Governor are selected from nominations from the Kentucky Association of Fairs and Horse Shows, the Kentucky Livestock Improvement Association, the Kentucky State National Farmers Organization, the American Saddle Horse Breeders Association, and the Kentucky Farm Bureau Federation. The Board manages and administers the funds, buildings, grounds, and equipment of the Kentucky Fair and Exposition Center and the Kentucky International Convention Center in Louisville. A president is appointed by the Board to manage the Centers.

Policy

The Budget of the Commonwealth includes \$2,328,000 in General Fund in fiscal year 2005-2006 for debt service for the East Wing/ Hall renovation project. The Budget of the Commonwealth also includes a \$234,000 in Restricted Funds in fiscal year 2005-2006 for debt service for this same project, the total authorization of which is \$55 million (\$50 million General Fund bonds and \$5 million agency bonds).

**Commerce Cabinet
State Fair Board
Kentucky Fair and Exposition Center**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	407,000	407,000	396,800	396,800
Total General Fund	407,000	407,000	396,800	396,800
Restricted Funds				
Balance Forward	1,928,800	1,461,800	1,052,600	1,052,600
Current Receipts	28,091,300	29,552,700	27,712,300	29,173,700
Non-Revenue Receipts	-1,000,000	-1,000,000	-1,371,000	-1,371,000
Total Restricted Funds	29,020,100	30,014,500	27,393,900	28,855,300
TOTAL SOURCE OF FUNDS	29,427,100	30,421,500	27,790,700	29,252,100
EXPENDITURES BY CLASS				
Personnel Cost	16,618,700	17,581,700	16,149,900	17,308,600
Operating Expenses	9,606,400	9,972,400	9,035,600	9,035,600
Grants, Loans or Benefits	1,543,900	1,545,200	1,500,400	1,500,400
Debt Service				234,000
Capital Outlay	196,300	203,800	52,200	52,200
TOTAL EXPENDITURES	27,965,300	29,303,100	26,738,100	28,130,800
EXPENDITURES BY FUND SOURCE				
General Fund	407,000	407,000	396,800	396,800
Restricted Funds	27,558,300	28,896,100	26,341,300	27,734,000
TOTAL EXPENDITURES	27,965,300	29,303,100	26,738,100	28,130,800

The Kentucky Fair and Exposition Center provides facilities and services for conventions, trade shows, agricultural activities, athletic events, concerts, and cultural and commercial productions year-round. At this site, the State Fair Board produces its three major expositions during the year: the Kentucky State Fair, the National Farm Machinery Show, and the North American International Livestock Exposition.

The Kentucky Fair and Exposition Center is a completely air-conditioned complex that includes one million square feet of exhibit and meeting space at ground level. It includes the 19,000-seat Freedom Hall Coliseum, identical East and West Exhibit Halls, East and West Exposition Wings, the South Wing Exposition Facility and Conference Center, a smaller exposition Pavilion, a 600-seat amphitheater, a 5,000-seat Livestock and Horse Show Arena, and a 37,000-seat stadium. Also serving the Kentucky Fair and Exposition Center are the adjacent Executive Inn East, Executive Inn West, Executive Bowl, and the Kentucky Kingdom Amusement Park, all of which are long-term lessees of the State Fair Board. An expansion of the South Wing, approved by the 2003 General Assembly, is currently under construction.

Policy

Funding of \$396,800 from the General Fund is provided each year of the biennium for the North American International Livestock Exposition program.

**Commerce Cabinet
State Fair Board
Kentucky International Convention Center**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	553,200	1,137,200	993,100	951,100
Current Receipts	5,233,600	5,347,700	4,657,600	4,562,900
Fund Transfers	-50,000		-50,000	
Total Restricted Funds	5,736,800	6,484,900	5,600,700	5,514,000
TOTAL SOURCE OF FUNDS	5,736,800	6,484,900	5,600,700	5,514,000
EXPENDITURES BY CLASS				
Personnel Cost	2,889,000	3,101,700	2,889,000	2,976,000
Operating Expenses	1,687,300	1,683,400	1,687,300	1,608,300
Capital Outlay	73,300	73,300	73,300	73,300
TOTAL EXPENDITURES	4,649,600	4,858,400	4,649,600	4,657,600
EXPENDITURES BY FUND SOURCE				
Restricted Funds	4,649,600	4,858,400	4,649,600	4,657,600
TOTAL EXPENDITURES	4,649,600	4,858,400	4,649,600	4,657,600

The Kentucky International Convention Center provides facilities and services for intermediate-sized conventions, trade shows, association events, concerts, and cultural and commercial productions year-round. This facility is an integral and interdependent part of the overall redevelopment of downtown Louisville by both government and private enterprises.

The Center includes approximately 200,000 square feet of exhibit space, a 30,000 square foot ballroom, and nearly 70,000 square feet of meeting space along both sides of Third Street. The exhibit and meeting areas are linked by public concourses spanning Third Street.

The Center is served by the Hyatt and Cowger Parking Garages, which provide 1,300 enclosed parking spaces, and by the Hyatt Regency Hotel, which is a long-term lessee of the Board. The Cowger Garage also includes commercial space which is leased on a long-term basis.

**Commerce Cabinet
State Fair Board
Debt Service**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	6,663,000	6,663,000		2,328,000
Total General Fund	6,663,000	6,663,000		2,328,000
Restricted Funds				
Current Receipts	5,329,000	5,329,000	4,012,300	4,012,900
Total Restricted Funds	5,329,000	5,329,000	4,012,300	4,012,900
TOTAL SOURCE OF FUNDS	11,992,000	11,992,000	4,012,300	6,340,900
EXPENDITURES BY CLASS				
Debt Service	11,992,000	11,992,000	4,012,300	6,340,900
TOTAL EXPENDITURES	11,992,000	11,992,000	4,012,300	6,340,900
EXPENDITURES BY FUND SOURCE				
General Fund	6,663,000	6,663,000		2,328,000
Restricted Funds	5,329,000	5,329,000	4,012,300	4,012,900
TOTAL EXPENDITURES	11,992,000	11,992,000	4,012,300	6,340,900

The Debt Service program is responsible for the annual debt service payments on Fair Board bonds issued by the State Property and Buildings Commission.

Restricted funds in the amount of \$4,012,300 in fiscal year 2005 and \$4,012,900 in fiscal year 2006 are included for Project 81 debt service payments. Project 81 provided funding for an expansion of South Wing C.

All previously authorized General Fund debt service costs are budgeted in the Finance and Administration Cabinet in the 2004-2006 biennium.

Policy

The Budget of the Commonwealth includes \$2,328,000 in General Fund in fiscal year 2005-2006 for debt service for the East Wing/ Hall renovation project. The Budget of the Commonwealth also includes a \$234,000 in Restricted Funds in fiscal year 2005-2006 for debt service for this same project, the total authorization of which is \$55 million (\$50 million General Fund bonds and \$5 million agency bonds).

**Commerce Cabinet
Fish and Wildlife Resources**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	29,532,600	25,152,600	36,954,200	33,867,500
Current Receipts	31,635,000	31,535,000	31,635,000	31,535,000
Non-Revenue Receipts	-6,750,000	-6,100,000	-6,750,000	-6,100,000
Total Restricted Funds	54,417,600	50,587,600	61,839,200	59,302,500
Federal Funds				
Balance Forward	4,430,800	4,430,800	4,430,800	4,430,800
Current Receipts	10,830,000	10,864,000	10,830,000	10,864,000
Total Federal Funds	15,260,800	15,294,800	15,260,800	15,294,800
TOTAL SOURCE OF FUNDS	69,678,400	65,882,400	77,100,000	74,597,300
EXPENDITURES BY CLASS				
Personnel Cost	30,260,200	32,549,100	29,141,400	29,145,300
Operating Expenses	7,054,100	7,054,200	7,016,600	7,016,700
Capital Outlay	2,780,700	2,693,700	2,643,700	2,643,700
TOTAL EXPENDITURES	40,095,000	42,297,000	38,801,700	38,805,700
EXPENDITURES BY FUND SOURCE				
Restricted Funds	29,265,000	31,433,000	27,971,700	27,941,700
Federal Funds	10,830,000	10,864,000	10,830,000	10,864,000
TOTAL EXPENDITURES	40,095,000	42,297,000	38,801,700	38,805,700
EXPENDITURES BY UNIT				
Administration and Support	5,091,700	5,376,400	4,737,300	4,707,300
Wildlife Management	10,899,400	11,397,800	10,585,000	10,619,000
Fisheries Management	5,978,400	6,366,600	6,357,900	6,357,900
Information and Education	5,916,900	6,215,700	5,262,900	5,262,900
Law Enforcement	12,208,600	12,940,500	11,858,600	11,858,600
TOTAL EXPENDITURES	40,095,000	42,297,000	38,801,700	38,805,700

The Department of Fish and Wildlife Resources, established by KRS 150, is responsible for the protection and improvement of fish and wildlife resources in Kentucky. The Department is headed by a Commissioner appointed by the Fish and Wildlife Commission. The Commission, which is responsible for Department policy, is a nine member bipartisan body appointed by the Governor from a list of candidates provided by sportsmen's organizations in each of nine districts.

Financial support of the Department is derived from the sale of hunting and fishing licenses, federal grants, interest income, fines and penalties assessed by the courts for violation of game and fish laws, and numerous other miscellaneous receipts.

Currently, the Department owns approximately 120,000 acres of land in Kentucky which are used to further its program activities. This acreage includes the State Game Farm, 80 major wildlife management areas, two warm water hatcheries, and three summer camps. An additional 712,355 acres of land and water are under lease or license by the Department for wildlife management activities. The Daniel Boone National Forest provides an additional 600,000 acres of land for public use.

The Department consists of 5 program areas: Administration and Support, Wildlife Management, Fisheries Management, Information and Education, and Law Enforcement.

Three separate Divisions are included in the Administration and Support program area. The Division of Administration and Support manages the day-to-day operations of the Department including maintaining accounting records, ensuring proper purchasing and inventory procedures are followed, and administering hunting and fishing license sales and revenue collections. The Public Affairs Division facilitates public involvement in departmental policy and regulations. The Engineering Division provides the labor and technical engineering services required for the Department's small construction projects. Duties include building small bridges, buildings, boat ramps, and roads. In addition, Engineering is responsible for surveying all property owned or being purchased by the Department.

The Wildlife Management program manages, develops, and maintains statewide game and non-game populations consistent with habitat capacity on state owned lands, licensed wildlife management areas, and privately owned lands. Additionally, Wildlife Management conducts statewide surveys to determine the relative abundance of game and non-game wildlife, formulates hunting regulations based upon biological data and recreational demands, restores viable native wildlife species by restocking in suitable habitat, and evaluates the impact of land, water resource, and other construction projects on wildlife resources. Technical guidance is provided to private landowners for improvement of wildlife habitat conditions. A fish and wildlife electronic information system is being developed for use by state agencies that include geographic information such as land types, vegetation conditions, and wildlife populations.

The Fisheries Management program manages Kentucky's fishery resources to provide optimum fishing opportunities for anglers through research, surveys, fish stocking, regulation, and technical biological guidance. Fishery biologists manage and develop fish populations and their associated habitats in major impoundments, streams, rivers, and 100,000 acres of small lakes and ponds. In addition, technical guidance is provided to private pond owners. Research biologists provide support to management through evaluation of stocking and regulatory practices.

The Information and Education program teaches Kentuckians to enjoy safely the recreational opportunities provided by Fish and Wildlife Resources and to create an appreciation and understanding of the need to conserve these resources.

The Law Enforcement program enforces fish, wildlife, and boating laws. Officers assist other federal, state, and local agencies in enforcement of all criminal laws in the Commonwealth. Officers also provide assistance to the public during times of natural disasters such as floods, forest fires, and severe winter weather.

**Commerce Cabinet
Historical Society**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,280,200	7,656,500	5,991,800	6,041,800
Total General Fund	7,280,200	7,656,500	5,991,800	6,041,800
Restricted Funds				
Balance Forward	443,200	396,800	262,300	163,300
Current Receipts	480,000	480,000	534,800	598,800
Total Restricted Funds	923,200	876,800	797,100	762,100
Federal Funds				
Current Receipts	342,000	325,000	822,000	1,225,000
Total Federal Funds	342,000	325,000	822,000	1,225,000
TOTAL SOURCE OF FUNDS	8,545,400	8,858,300	7,610,900	8,028,900
EXPENDITURES BY CLASS				
Personnel Cost	4,164,900	4,492,300	3,538,500	3,593,200
Operating Expenses	3,517,200	3,539,100	3,161,600	3,183,400
Grants, Loans or Benefits	246,500	246,500	747,500	1,217,500
Capital Outlay	220,000	220,000		
TOTAL EXPENDITURES	8,148,600	8,497,900	7,447,600	7,994,100
EXPENDITURES BY FUND SOURCE				
General Fund	7,280,200	7,656,500	5,991,800	6,041,800
Restricted Funds	526,400	516,400	633,800	727,300
Federal Funds	342,000	325,000	822,000	1,225,000
TOTAL EXPENDITURES	8,148,600	8,497,900	7,447,600	7,994,100
EXPENDITURES BY UNIT				
Oral History and Educational Outreach	1,333,700	1,355,100	1,341,400	1,794,400
Research and Publications	1,215,800	1,301,300	207,800	207,800
Museums	1,350,100	1,443,600	207,600	207,600
Administration	4,249,000	4,397,900	5,690,800	5,784,300
TOTAL EXPENDITURES	8,148,600	8,497,900	7,447,600	7,994,100

The Kentucky Historical Society's mission, pursuant to KRS 171.311, is to collect and preserve for future generations materials and information regarding Kentucky's past; to disseminate knowledge and understanding of the state's history; and to produce for people of all backgrounds an increased awareness of, and appreciation for, the Commonwealth and its heritage. The agency operates four divisions: Administration, Research and Publications, Museums, and Oral History and Educational Outreach.

Since 1999, the Society and its three facilities-the History Center, Old State Capitol, and Kentucky Military History Museum-have hosted over 200,000 visitors annually. Over 40 percent of the audience consists of Kentucky students who visit in organized school groups. The agency offers access to research collections through on-line databases and an electronic library catalog.

The Administration Division provides overall agency direction, planning, and management. It has two branches: Institutional Advancement and Support Services. Institutional Advancement raises private sector support for projects and services that do not receive state support. Units within the IA Branch include: development, special events, membership, gift shop, facilities rental, marketing/public relations, and website management. Support Services Branch includes technology, personnel, telecommunications, facilities management, and fiscal operations.

The Research and Publications Division has three branches: Publications, Research Library, and Special Collections. Publications produces three periodicals and numerous book-length works on Kentucky history subjects. The Thomas D. Clark Research Library, housed in the Kentucky History Center, possesses over 100,000 volumes of Kentucky family history materials and serves over 30,000 research requests annually. Special Collections consists of maps, photographs, manuscripts, and rare books. Considerable resources have been invested in digitizing research materials for on-line public access. A digitizing unit within the Special Collections Branch creates electronic copies of fragile historic materials to permit Internet access to research collections and to preserve them.

The Museum Division operates the Kentucky History Center's museum (a 20,000 sq. ft. permanent exhibition and a 4,000 sq. ft. temporary exhibition gallery), the Old State Capitol, and the Kentucky Military History Museum. Six subunits compose the Museum Division: education, visitor services, traveling exhibitions, exhibit design, artifact collections, and military history.

The Oral History and Educational Outreach Division includes the Kentucky Oral History Commission, the Kentucky Folklife Program, and the Local History Branch. The Local History Branch includes the Kentucky Junior Historians, the Governors' Gravesite Grants program, Local History Grants, Education Grants, and Kentucky Historic Highway Markers program. The division provides Kentucky communities' historic organizations and museums with technical support and limited grant funds, and promotes history education in Kentucky's schools.

Policy

Included in the General Fund appropriation is:

- \$25,000 in fiscal year 2004-2005 and \$75,000 in fiscal year 2005-2006 to support the operations of the Commonwealth of Kentucky Lewis and Clark Bicentennial Commission;
- \$30,000 in each fiscal year to support the operations of the Commonwealth of Kentucky Abraham Lincoln Bicentennial Commission;
- \$25,000 in each fiscal year to support the Ron Spriggs Tuskegee Airmen Exhibit; and
- \$40,000 in each fiscal year to support the operations of the Madison County Battlefield Park and Museum.

**Commerce Cabinet
Arts Council**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,630,600	4,718,400	4,210,900	4,210,900
Total General Fund	4,630,600	4,718,400	4,210,900	4,210,900
Restricted Funds				
Balance Forward	170,900	158,500	170,900	158,500
Current Receipts	650,400	368,400	650,400	368,400
Non-Revenue Receipts	92,700	92,700	92,700	92,700
Total Restricted Funds	914,000	619,600	914,000	619,600
Federal Funds				
Balance Forward	35,500	10,500	35,500	10,500
Current Receipts	666,000	675,000	666,000	675,000
Total Federal Funds	701,500	685,500	701,500	685,500
TOTAL SOURCE OF FUNDS	6,246,100	6,023,500	5,826,400	5,516,000
EXPENDITURES BY CLASS				
Personnel Cost	1,201,700	1,289,500	1,143,400	1,170,500
Operating Expenses	875,600	865,600	838,600	828,600
Grants, Loans or Benefits	3,999,800	3,802,300	3,675,400	3,450,800
TOTAL EXPENDITURES	6,077,100	5,957,400	5,657,400	5,449,900
EXPENDITURES BY FUND SOURCE				
General Fund	4,630,600	4,718,400	4,210,900	4,210,900
Restricted Funds	755,500	553,500	755,500	553,500
Federal Funds	691,000	685,500	691,000	685,500
TOTAL EXPENDITURES	6,077,100	5,957,400	5,657,400	5,449,900
EXPENDITURES BY UNIT				
Arts Council	5,163,100	5,004,300	4,817,800	4,605,300
Craft Marketing	914,000	953,100	839,600	844,600
TOTAL EXPENDITURES	6,077,100	5,957,400	5,657,400	5,449,900

The Kentucky Arts Council is authorized under KRS 153.210-235. The Council develops and promotes a state policy of support for the arts in Kentucky.

The Kentucky Arts Council supports, through grants and technical assistance, Kentucky arts organizations, schools, non-profit community organizations, local arts councils, local government agencies, individual artists, and craftspersons. These organizations and individuals contribute significantly to the economy, education, and quality of life in Kentucky. They also oversee at the local level the services necessary to implement the Kentucky Arts Council mission and plan, the Kentucky Education Reform Act, and Kentucky's Strategic Plan for Economic Development.

The Council's major programs are: Arts and Cultural Organizational Support, Community Arts Development, Arts in Education, Craft Marketing, Individual Artists Recognition and Support, Folk and Traditional Arts Support, Arts Directories and Honor Programs.

**Commerce Cabinet
Heritage Council**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,813,200	2,883,500	932,400	933,700
Total General Fund	2,813,200	2,883,500	932,400	933,700
Restricted Funds				
Balance Forward			99,300	57,300
Current Receipts	377,200	390,600	516,300	621,700
Total Restricted Funds	377,200	390,600	615,600	679,000
Federal Funds				
Current Receipts	587,800	587,800	653,300	587,800
Total Federal Funds	587,800	587,800	653,300	587,800
TOTAL SOURCE OF FUNDS	3,778,200	3,861,900	2,201,300	2,200,500
EXPENDITURES BY CLASS				
Personnel Cost	1,402,500	1,517,400	1,297,800	1,332,000
Operating Expenses	561,300	530,100	784,400	749,400
Grants, Loans or Benefits	1,814,400	1,814,400	61,800	61,800
TOTAL EXPENDITURES	3,778,200	3,861,900	2,144,000	2,143,200
EXPENDITURES BY FUND SOURCE				
General Fund	2,813,200	2,883,500	932,400	933,700
Restricted Funds	377,200	390,600	558,300	621,700
Federal Funds	587,800	587,800	653,300	587,800
TOTAL EXPENDITURES	3,778,200	3,861,900	2,144,000	2,143,200

The Kentucky Heritage Council provides a comprehensive state historic preservation program through its subprograms: General Preservation Services, Site Identification and Evaluation, Site Development, and Site Protection. The Council administers the National Historic Preservation Program in Kentucky, distributes federal funds, and provides technical assistance to other agencies on all aspects of historic preservation. Major program activities include the Survey of Historic Sites in Kentucky, the National Register Program, the Kentucky Main Street Revitalization/Renaissance Kentucky Program, the Investment Tax Credit Program, and the Restoration Grants Program. The Kentucky Heritage Council is administered in accordance with KRS 171.380.

**Commerce Cabinet
Kentucky Center for the Arts**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,363,200	1,834,700	2,120,400	1,724,000
Total General Fund	1,363,200	1,834,700	2,120,400	1,724,000
TOTAL SOURCE OF FUNDS	1,363,200	1,834,700	2,120,400	1,724,000
EXPENDITURES BY CLASS				
Personnel Cost	46,900	53,800		
Operating Expenses	656,800	649,900	550,000	550,000
Grants, Loans or Benefits	659,500	864,000	486,400	414,000
Debt Service		267,000		
Capital Outlay			1,084,000	760,000
TOTAL EXPENDITURES	1,363,200	1,834,700	2,120,400	1,724,000
EXPENDITURES BY FUND SOURCE				
General Fund	1,363,200	1,834,700	2,120,400	1,724,000
TOTAL EXPENDITURES	1,363,200	1,834,700	2,120,400	1,724,000
EXPENDITURES BY UNIT				
Kentucky Center for the Arts	703,700	970,700	1,634,000	1,310,000
Governor's School for the Arts	659,500	864,000	486,400	414,000
TOTAL EXPENDITURES	1,363,200	1,834,700	2,120,400	1,724,000

The Kentucky Center for the Arts (d/b/a The "Kentucky Center") is the Commonwealth's premier performing arts center. Over 400,000 people attend events at The Kentucky Center each year. It is the performance home of Kentucky Opera, Louisville Ballet, The Louisville Orchestra, Louisville Theatrical Association, and Stage One: The Louisville Children's Theatre. The Kentucky Center's programming is dedicated to encouraging and supporting performing arts, presenting nationally and internationally renowned artists and presenting the works of Kentucky arts groups and artists.

The Kentucky Center houses three theatres: the 2,479-seat Robert S. Whitney Hall, 622-seat Moritz von Bomhard Theater, and the 139-seat Boyd Martin Experimental Theatre. The facility features a multi-tiered lobby, two rehearsal halls, a 190-seat restaurant and a retail area specializing in arts-related items and Kentucky crafts. All areas of the facility are accessible to those with physical disabilities, and special services for the hearing impaired and visually impaired are available during performances.

The Kentucky Center provides a wide range of educational programs including professional development for teachers, partnerships with schools and community centers, the Governor's School for the Arts, and other educational opportunities throughout the Commonwealth. The Kentucky Center's management also provides consulting services throughout the state.

Policy

Senate Bill 43 as enacted by the 2005 General Assembly established the Governor's School for the Arts as a division within the Kentucky Center for the Arts. The Governor's School for the Arts serves student artists from across the Commonwealth. The program supports the Kentucky Education Reform Act's mission to recognize the widest possible range of learning styles and capabilities. In addition to its unique role in gifted and talented education, the Governor's School for the Arts further provides instruction at the highest level for this exceptional and often unrecognized group of young Kentuckians. Many of its students come from rural areas of Kentucky where specialized arts instruction is not available. These students are often artistically and intellectually isolated. This program fosters excellence among a uniquely talented group of students and is an incentive for achievement. Participation in the Governor's School for the Arts is the highest honor bestowed upon Kentucky's young artists.

Included in the above General Fund appropriation is \$25,800 in each fiscal year of the biennium to return student scholarship dollars to fiscal year 2002-2003 levels.

Funds totaling \$1,084,000 in fiscal year 2004-2005 and \$760,000 in fiscal year 2005-2006 are being redirected from the operating budget to provide for capital maintenance and repair at the Center for the Arts.

Economic Development Cabinet

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	24,339,900	25,600,800	22,083,200	20,000,300
Continuing Appropriation	5,832,500	4,339,500		6,500,000
Total General Fund	30,172,400	29,940,300	22,083,200	26,500,300
Restricted Funds				
Balance Forward	1,548,200	624,700	902,100	1,286,100
Current Receipts	858,500	908,500	1,054,500	904,300
Non-Revenue Receipts	4,845,600	5,000,000	4,360,100	4,107,200
Total Restricted Funds	7,252,300	6,533,200	6,316,700	6,297,600
Federal Funds				
Current Receipts	155,400	155,400	155,400	155,400
Total Federal Funds	155,400	155,400	155,400	155,400
TOTAL SOURCE OF FUNDS	37,580,100	36,628,900	28,555,300	32,953,300
EXPENDITURES BY CLASS				
Personnel Cost	11,528,200	12,248,300	10,881,200	11,321,300
Operating Expenses	2,895,900	2,885,700	2,311,300	2,499,300
Grants, Loans or Benefits	9,607,800	9,607,800	7,576,700	12,810,800
Debt Service	8,584,000	8,584,000		980,000
TOTAL EXPENDITURES	32,615,900	33,325,800	20,769,200	27,611,400
EXPENDITURES BY FUND SOURCE				
General Fund	25,832,900	27,093,800	15,583,200	21,502,000
Restricted Funds	6,627,600	6,076,600	5,030,600	5,954,000
Federal Funds	155,400	155,400	155,400	155,400
TOTAL EXPENDITURES	32,615,900	33,325,800	20,769,200	27,611,400
EXPENDITURES BY UNIT				
Secretary	14,273,800	14,539,800	9,962,100	14,200,000
New Business Development	2,675,100	2,778,800	1,922,900	2,136,100
Financial Incentives	12,001,100	12,145,100	5,567,900	7,827,000
Existing Business Development	3,665,900	3,862,100	3,316,300	3,448,300
TOTAL EXPENDITURES	32,615,900	33,325,800	20,769,200	27,611,400

The structure of the Cabinet for Economic Development is authorized by KRS 154 as enacted by the 1992 General Assembly.

The governing body of the Cabinet, the Kentucky Economic Development Partnership, consists of 11 voting members and two non-voting members. The 11 voting members are the Governor, who is chairman, the Secretary of the Finance and Administration Cabinet, the Secretary of the Environmental and Public Protection Cabinet, and eight private sector members representing all facets of the economic development community, who are appointed by the Governor. The Secretary of the Cabinet for Economic Development (nominated by the Economic Development Partnership and appointed by the Governor) and the Secretary of Commerce Cabinet serve as nonvoting members.

The Mission Statement and the Goals for the Commonwealth's economic development programs as defined by the Partnership's Statewide Strategic Plan for Economic Development are as follows:

To Create More and Higher-Quality Opportunities by Building and Expanding Sustainable Economy to improve the Quality of Life for all Kentuckians.

The five goals are:

- 1) Create a globally competitive innovation process that is fueled by world-class resources and sustained by an entrepreneurial climate, resulting in a continuously higher standard of living for all Kentuckians. Economic development should foster business expansion, location, and entrepreneurial growth in knowledge-based industries.
- 2) Reduce unemployment and increase per capita income. Economic development should emphasize the welfare of all the citizens of the Commonwealth, and an important part of the welfare is a good job and the ability to support one's family.
- 3) Create a globally competitive business environment. Kentucky must be an active participant in the developing world economy.
- 4) Manage resources to maximize return on investment. Investments in economic development must be made in the most efficient and effective manner possible for the plan to have an impact.
- 5) Coordinate the strategic planning efforts of Kentucky state agencies into the implementation of the Kentucky Strategic Plan for Economic Development. Economic development extends to all segments of the economy and requires coordination with other state agencies, including agriculture, tourism, transportation, education, and natural resource based industries.

Confirming the reorganization undertaken by the Kentucky Economic Development Partnership Board under Resolution 04-01, House Bill 38 was enacted by the General Assembly. The reorganization streamlined agencies to improve efficiency. Its principal features are:

- Cabinet administrative services, legal, communication, research, and administration are consolidated under the Secretary's Office.
- The Office for the New Economy is restructured and renamed the Department for Commercialization and Innovation.
- The Department of Community Development is restructured and renamed the Department for Existing Business Development.
- The Department of Business Development is restructured and renamed the Department for New Business Development.

The primary functions of the Cabinet are now organized in four major areas: Office of the Secretary, New Business Development, Financial Incentives, and Existing Business Development. The Departments for Commercialization and Innovation and Regional Development budgets are housed within the Office of the Secretary.

**Economic Development Cabinet
Secretary**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,544,400	11,475,300	7,977,200	11,533,300
Total General Fund	10,544,400	11,475,300	7,977,200	11,533,300
Restricted Funds				
Balance Forward	1,000,700	242,700	464,600	1,005,500
Current Receipts			196,000	
Non-Revenue Receipts	2,971,400	2,971,400	2,329,800	2,004,800
Total Restricted Funds	3,972,100	3,214,100	2,990,400	3,010,300
TOTAL SOURCE OF FUNDS	14,516,500	14,689,400	10,967,600	14,543,600
EXPENDITURES BY CLASS				
Personnel Cost	4,177,100	4,452,700	4,513,200	4,638,900
Operating Expenses	1,309,900	1,300,300	1,023,100	1,136,300
Grants, Loans or Benefits	4,972,800	4,972,800	4,425,800	8,175,800
Debt Service	3,814,000	3,814,000		249,000
TOTAL EXPENDITURES	14,273,800	14,539,800	9,962,100	14,200,000
EXPENDITURES BY FUND SOURCE				
General Fund	10,544,400	11,475,300	7,977,200	11,533,300
Restricted Funds	3,729,400	3,064,500	1,984,900	2,666,700
TOTAL EXPENDITURES	14,273,800	14,539,800	9,962,100	14,200,000
EXPENDITURES BY UNIT				
Executive Policy & Management	2,666,200	2,728,700	2,708,800	2,957,800
Department of Innovation & Commercialization	8,478,300	8,512,900	4,553,200	8,519,400
Department for Regional Development	827,300	876,700	755,400	768,500
Administration and Support	2,302,000	2,421,500	1,944,700	1,954,300
TOTAL EXPENDITURES	14,273,800	14,539,800	9,962,100	14,200,000

The Secretary's Office provides the coordination and direction for planning and management of the programs and entities within the Cabinet. Staff and administrative functions within the Office include communication and marketing services, legislative initiatives and special projects. The Office is responsible for developing plans to assure orderly growth and improved management, to recommend executive actions and legislative measures, and to evaluate budget requests. The following administrative units are attached to the Office of the Secretary:

Office of Legal Services: Serves as legal counsel for the Cabinet.

Office of Research and Information Technology: Provides Cabinet-wide support in the areas of information technology research services and strategic planning support.

Division of Research and Site Evaluation: Maintains current data on available industrial sites and buildings in the state; compiles data on taxes, transportation, education, labor force, industrial services and general economic and demographic statistics for all Kentucky communities. This agency was formally part of Existing Business Development.

Department of Regional Development: Administers the Local Government Economic Development Multi-County Fund, which provides grants to eligible counties and industrial development authorities to diversify their economies through the development of industrial park sites to attract new businesses and industry for projects benefiting three or more eligible counties.

Department of Commercialization and Innovation (DCI): Develops and implements a strategy to grow a 21st Century Economy in Kentucky. DSI's mission is to foster innovation and a thriving entrepreneurial culture so that Kentuckians are positioned to profitably participate in the 21st Century economy. To achieve its mission, DCI will:

- Build and sustain a strong research and development capacity at Kentucky's universities and in the private sector;
- Create and maintain a thriving entrepreneurial climate supported by programs that inspire and facilitate the commercialization of ideas; and
- Foster and retain a highly motivated, well-educated workforce that can participate and prosper in the New Economy.

The DCI Commissioner and the Kentucky Economic Development Authority (KEDFA) Board administer the High-Tech Construction/Investment Pools. The Pools enable Kentucky to become more competitive in advanced technology business sector by:

- Developing the university R&D that is necessary to promote an environment that will help create, attract, and grow high-tech firms; and
- Providing equity capital to fledgling, high-potential technology firms.

The Pools are governed under KRS 154.12-278.

Policy

The Budget for the Commonwealth provides \$420,800 in restricted funds each fiscal year for the Louisville Waterfront Development Corporation. The source of these restricted funds is Economic Development Bond Repayments.

Included in the enacted budget is \$300,000 in restricted funds in fiscal year 2004-2005 for the Kentucky Technology Service Grant through the Kentucky Manufacturing Assistance Center (KMAC) program. In fiscal year 2005-2006 the \$300,000 in funding is split evenly between restricted funds and General Fund support. The source of these restricted funds is Economic Development Bond Repayments.

Included in the General Fund appropriation in fiscal year 2005-2006 is \$15,000 for debt service for the Crispus Attucks Small Business Incubator in Hopkinsville.

Included in the Agency Funds appropriation in fiscal year 2005-2006 is \$234,000 for debt service for the Airport Relocation Assistance Project in Louisville. The project is funded with Bond Funds in Part II of House Bill 267 in the amount of \$5 million.

Included in the enacted budget is \$251,900 in General Funds in fiscal year 2004-2005 and \$256,200 from the General Fund in fiscal year 2005-2006 for the Department for Regional Development. Notwithstanding KRS 42.4592, the Department for Regional Development will be funded from the Local Government Economic Development Fund prior to any other statutory distribution from the fund.

Included in the enacted budget is \$1.5 million in General Funds in fiscal year 2005-2006 to support the Innovation and Commercialization Centers and the ideaFestival Grant.

Included in the enacted budget is \$1 million in fiscal year 2005-2006 for the Department for Commercialization and Innovation. These dollars will be used to coordinate Kentucky's effort to secure a Federal Research Lab. The funds are derived from the Kentucky Economic Development Funding Authority.

Included in the enacted budget is \$11,575,000 in fiscal year 2004-2005 and \$10,985,000 in 2005-2006 for the High-Technology Construction Pool and the High-Technology Investment Pool. The amounts of the funds apportioned between the pools will be determined by the Commissioner for the Department for Commercialization and Innovation.

The Budget of the Commonwealth provides General Funds in the amount of \$3,625,000 in fiscal year 2004-2005 and \$3,500,000 in fiscal year 2005-2006 for the High-Technology Construction and Investment Pools. Notwithstanding KRS 42.4592, the General Fund appropriation for the Department of Commercialization and Innovation shall be funded from the Local Government Economic Development Fund prior to any statutory distribution for the Local Government Economic Development Fund. The Commissioner of the Department of Commercialization and Innovation shall determine the amounts to be apportioned between the High-Tech Pools. These funds are to be used exclusively in coal producing counties.

Notwithstanding Subchapter 20 of KRS Chapter 154, interest income earned on balances in the High-Tech Construction and Investment Pools shall be used to support the Department for Commercialization and Innovation. Upon recommendation of the Commissioner funds may be apportioned between the pools. Loan repayments received by the High-Tech Pools are appropriated in addition to amounts specified in Part II of House Bill 267.

Notwithstanding KRS 42.4588(2), Local Government Economic Development Fund, Multi-County Fund allocations may be used to support the nonrecurring investment in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development.

**Economic Development Cabinet
New Business Development**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,600,100	2,703,800	1,556,100	1,556,100
Total General Fund	2,600,100	2,703,800	1,556,100	1,556,100
Restricted Funds				
Balance Forward	456,800	381,800	346,800	280,000
Non-Revenue Receipts			300,000	300,000
Total Restricted Funds	456,800	381,800	646,800	580,000
TOTAL SOURCE OF FUNDS	3,056,900	3,085,600	2,202,900	2,136,100
EXPENDITURES BY CLASS				
Personnel Cost	2,124,500	2,228,200	1,501,100	1,601,100
Operating Expenses	465,600	465,600	336,800	450,000
Grants, Loans or Benefits	85,000	85,000	85,000	85,000
TOTAL EXPENDITURES	2,675,100	2,778,800	1,922,900	2,136,100
EXPENDITURES BY FUND SOURCE				
General Fund	2,600,100	2,703,800	1,556,100	1,556,100
Restricted Funds	75,000	75,000	366,800	580,000
TOTAL EXPENDITURES	2,675,100	2,778,800	1,922,900	2,136,100

The Department for New Business Development is responsible for coordinating the recruitment and attraction of companies that will enhance the overall viability of the state's economy. This task includes: targeting and contacting specific industries and businesses outside of Kentucky; meeting and corresponding with business representatives; and coordinating site location referrals and visits. The Department coordinates the exchange of information for specific areas such as financing, training, and regulatory requirements with Cabinet officials, program personnel and local representatives.

A Division of Industrial Development communicates with industrial prospects, both foreign and domestic. Agency staff initiate and coordinate out-of-state trips to recruit industry. They provide prospects with information regarding location requirements, and serve as liaisons between the client company and permitting agencies, financial institutions, training assistance agencies and local economic development groups.

The Department has representatives in two international offices:

- Far Eastern Office: Tokyo, Japan; and
- European Office: Brussels, Belgium,

Contractual agents who are located in these offices aid in the recruitment of international companies to the Commonwealth.

**Economic Development Cabinet
Financial Incentives**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,129,700	8,167,400	9,827,600	4,058,600
Continuing Appropriation	5,832,500	4,339,500		6,500,000
Total General Fund	13,962,200	12,506,900	9,827,600	10,558,600
Restricted Funds				
Balance Forward	200	200	200	
Current Receipts	858,500	908,500	858,500	904,300
Non-Revenue Receipts	1,519,900	1,576,200	1,381,600	1,362,400
Total Restricted Funds	2,378,600	2,484,900	2,240,300	2,266,700
TOTAL SOURCE OF FUNDS	16,340,800	14,991,800	12,067,900	12,825,300
EXPENDITURES BY CLASS				
Personnel Cost	2,407,500	2,551,500	2,228,400	2,272,400
Operating Expenses	323,600	323,600	323,600	323,600
Grants, Loans or Benefits	4,500,000	4,500,000	3,015,900	4,500,000
Debt Service	4,770,000	4,770,000		731,000
TOTAL EXPENDITURES	12,001,100	12,145,100	5,567,900	7,827,000
EXPENDITURES BY FUND SOURCE				
General Fund	9,622,700	9,660,400	3,327,600	5,560,300
Restricted Funds	2,378,400	2,484,700	2,240,300	2,266,700
TOTAL EXPENDITURES	12,001,100	12,145,100	5,567,900	7,827,000
EXPENDITURES BY UNIT				
Financial Incentives	6,889,900	6,996,200	1,981,600	2,743,400
Bluegrass State Skills	5,111,200	5,148,900	3,586,300	5,083,600
TOTAL EXPENDITURES	12,001,100	12,145,100	5,567,900	7,827,000

The Department of Financial Incentives pursuant to KRS 154.12-224 coordinates all financial assistance, tax credit and related programs available to business and industry. The Department is charged with the development of new initiatives, as well as streamlining and coordinating existing programs. To see that a balanced, efficient use of state dollars and credits is available for job creation and preservation, the Department works through the Grants Program Division, Tax Incentives Programs Division, Direct Loans Program Division, Program Servicing Division, and the Bluegrass State Skills Corporation. The Kentucky Economic Development Finance Authority (KEDFA) encourages economic development, business expansion, and job creation by providing financial support for business and industry through an array of financial assistance and tax credit programs.

- The Economic Development Bond Program (KRS 154.12-100)
- The Direct Loan Program (KRS 154.20-030)
- The Kentucky Investment Fund Act (KRS 154.20-256)
- The Kentucky Rural Economic Development Act (KRS 154.22)
- The Kentucky Economic Opportunity Zone Act (KRS 154.45-010)
- The Kentucky Economic Preference (Enterprise) Zone Act (KRS 154.45-010)
- The Kentucky Jobs Development Act (KRS 154.24-010)
- The Kentucky Industrial Development Revitalization Act (KRS 154.26)
- The Kentucky Industrial Development Act (KRS 154.28)
- The Kentucky Reinvestment Act (HB 510, 2003 session)
- Tax Increment Financing (KRS 65.6971 and KRS 65.6972)
- New Economy Grants (KRS 154.12-278)

- The Local Government Economic Development Multi-County Program (KRS 42.4582-4595)
- Industrial Revenue Bonds (issued or reviewed under the authority of KRS 103.210)

Bluegrass State Skills Corporation (BSSC) was established in 1984 by the General Assembly as an independent, de jure corporation to stimulate economic development through programs of skills training to meet the needs of business and industry. The BSSC works with business and industry and the state's educational institutions to establish programs of skills training. The BSSC is under the Cabinet for Economic Development, Department of Financial Incentives, in recognition of the relationship between economic development and the need to address the skills training efforts of Kentucky's new, expanding, and existing industries. The statutory authority for the BSSC is found in KRS 154.12-204 through 154.12-208.

The Economic Development Bond program as authorized in KRS 154.12-100 uses bond proceeds to leverage private investment to promote the overall economic development of the Commonwealth. This includes the development of public projects such as industrial parks, river ports, and tourism facilities.

Policy

The Kentucky Enterprise Initiative Act, enacted as part of Governor Fletcher's Tax Modernization Package in House Bill 272 during the 2005 Session of the General Assembly, allows eligible companies to receive a refund of sales and use tax on building materials as well as research and development equipment. Eligible expenditures are limited to tourist attractions, services, technology and manufacturing as well as company headquarters in any industry. The program gives preference to companies in existing enterprise zones; the minimum investment is \$100,000 for companies within enterprise zone boundaries; \$500,000 elsewhere. There is a statewide cap in each year of \$20 million for building materials and \$5 million for research and development, and all projects and expenses must be approved by KEDFA. Sales taxes are refunded rather than offered through a blanket exemption certificate as under the current Enterprise Zone program.

This new tax incentive program replaces the Enterprise Zone Program. Current Enterprise Zones are permitted to continue until their expiration under existing law. All existing zones expire by December 31, 2007.

The Budget of the Commonwealth provides an allocation from the General Fund for debt service in fiscal year 2006 of \$731,000 to support the following bond funded pools:

- Economic Development Bond Pool \$10 million
- High-Technology Construction/Investment Pool \$ 5 million

The enacted budget provides \$2,250,000 to provide Phase II funding for the Graves County Industrial Park from funds available to the Kentucky Economic Development Finance Authority.

The Budget of the Commonwealth authorizes the Bluegrass State Skills Corporation to extend an additional \$1.5 million for training grant offers in each year of the biennium. This will enable the Economic Development Cabinet to maximize efforts to retain and expand existing companies and attract new companies. In the event that such offers are made, and that disbursements are required to support those offers, funds shall be provided from the General Fund Surplus Account in an amount not to exceed \$1.5 million.

The enacted budget caps Kentucky Investment Fund Act (KIFA) Tax Credits at \$1,300,000 for any single investment fund over the biennium. It further limits KIFA tax credits available for all investors in all investment funds to \$5 million in each year of the biennium.

**Economic Development Cabinet
Existing Business Development**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,065,700	3,254,300	2,722,300	2,852,300
Total General Fund	3,065,700	3,254,300	2,722,300	2,852,300
Restricted Funds				
Balance Forward	90,500		90,500	600
Non-Revenue Receipts	354,300	452,400	348,700	440,000
Total Restricted Funds	444,800	452,400	439,200	440,600
Federal Funds				
Current Receipts	155,400	155,400	155,400	155,400
Total Federal Funds	155,400	155,400	155,400	155,400
TOTAL SOURCE OF FUNDS	3,665,900	3,862,100	3,316,900	3,448,300
EXPENDITURES BY CLASS				
Personnel Cost	2,819,100	3,015,900	2,638,500	2,808,900
Operating Expenses	796,800	796,200	627,800	589,400
Grants, Loans or Benefits	50,000	50,000	50,000	50,000
TOTAL EXPENDITURES	3,665,900	3,862,100	3,316,300	3,448,300
EXPENDITURES BY FUND SOURCE				
General Fund	3,065,700	3,254,300	2,722,300	2,852,300
Restricted Funds	444,800	452,400	438,600	440,600
Federal Funds	155,400	155,400	155,400	155,400
TOTAL EXPENDITURES	3,665,900	3,862,100	3,316,300	3,448,300
EXPENDITURES BY UNIT				
Executive Policy & Management	569,200	605,800	512,500	522,600
Small Business Services	1,197,800	1,258,500	1,090,600	1,070,200
Regional Offices	1,260,000	1,342,000	1,088,900	1,101,200
International Trade	638,900	655,800	624,300	754,300
TOTAL EXPENDITURES	3,665,900	3,862,100	3,316,300	3,448,300

The Department of Existing Business Development is responsible for (new business creation and) the retention and expansion of existing businesses. It seeks to expand Kentucky's entrepreneurial capacity and to assist communities to realize their maximum economic growth potential. The Department includes: the International Trade Division, the Division of Small Business Services and Regional Economic Development Divisions.

The International Trade Division (ITD) enables Kentucky companies to become more competitive in global markets. The ITD emphasizes trade awareness and education. Staff provides assistance to Kentucky companies on trade-related issues and participates in trade missions. The division demonstrates how local economic development groups might develop trade assistance programs.

- The Kentucky Agricultural and Commercial Trade Office located in Guadalajara, Mexico, is responsible for promoting the exports of Kentucky manufactured goods, services, and agricultural products throughout Mexico. This office is funded and operated cooperatively by the Kentucky Cabinet for Economic Development and the Kentucky Department of Agriculture.
- The Kentucky South America Trade Office located in Santiago, Chile assists Kentucky companies in large and important markets throughout South America. The Chile Free Trade Agreement offers Kentucky export sectors

improved market access and streamlined custom services to fast-growing Chilean markets.

The Small Business Services Division promotes small business development through three primary entrepreneurial support programs:

- Business Information Clearinghouse: serves as a centralized information source on business regulations; assists new and expanding Kentucky businesses to secure licenses and permits; and acts as a referral service for government financial management assistance programs.
- Kentucky Procurement Assistance: provides technical assistance to businesses competing for federal and state government contracts.
- Small and Minority Business: serves as a resource center for business owners/managers and establishes educational programs to address the needs of minority enterprises.

The Regional Economic Development Division fosters the retention and expansion of Kentucky's manufacturing and value added business base. The Division has three offices:

- West Kentucky Office in Madisonville
- Central Kentucky Office in Frankfort
- East Kentucky Office in Prestonsburg.

These offices offer the only statewide industry visitation program to help Kentucky's business and industry improve their competitive positions and to access state incentive programs. Regional staff also assist communities and local economic development groups to improve their business infrastructure and to develop industrial sites.

Policy

The Budget of the Commonwealth provides \$200,000 in fiscal year 2005-2006 to establish a Kentucky Economic Development presence in China.

Department of Education

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,381,322,200	3,492,484,400	3,092,155,100	3,392,191,100
Special Appropriation				333,000
Continuing Appropriation			717,700	
Total General Fund	<u>3,381,322,200</u>	<u>3,492,484,400</u>	<u>3,092,872,800</u>	<u>3,392,524,100</u>
Tobacco Settlement-Phase I				
Tobacco Settlement - I	2,095,600	2,108,400	1,888,400	1,888,400
Total Tobacco Settlement-Phase I	<u>2,095,600</u>	<u>2,108,400</u>	<u>1,888,400</u>	<u>1,888,400</u>
Restricted Funds				
Balance Forward	677,000		677,000	
Current Receipts	2,466,800	2,516,600	2,816,800	2,866,600
Non-Revenue Receipts	1,639,000	1,639,000	1,639,000	1,639,000
Fund Transfers			-102,200	
Total Restricted Funds	<u>4,782,800</u>	<u>4,155,600</u>	<u>5,030,600</u>	<u>4,505,600</u>
Federal Funds				
Balance Forward	85,200		85,200	
Current Receipts	524,857,500	525,101,600	621,857,500	627,101,600
Non-Revenue Receipts	149,300	149,300	149,300	149,300
Total Federal Funds	<u>525,092,000</u>	<u>525,250,900</u>	<u>622,092,000</u>	<u>627,250,900</u>
TOTAL SOURCE OF FUNDS	<u>3,913,292,600</u>	<u>4,023,999,300</u>	<u>3,721,883,800</u>	<u>4,026,169,000</u>
EXPENDITURES BY CLASS				
Personnel Cost	59,196,100	61,881,300	75,826,900	76,673,500
Operating Expenses	12,574,100	12,484,300	10,125,900	9,730,900
Grants, Loans or Benefits	3,841,522,400	3,949,633,700	3,635,931,000	3,935,791,600
Debt Service				973,000
TOTAL EXPENDITURES	<u>3,913,292,600</u>	<u>4,023,999,300</u>	<u>3,721,883,800</u>	<u>4,023,169,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	3,381,322,200	3,492,484,400	3,092,872,800	3,389,524,100
Tobacco Settlement-Phase I	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds	4,782,800	4,155,600	5,030,600	4,505,600
Federal Funds	525,092,000	525,250,900	622,092,000	627,250,900
TOTAL EXPENDITURES	<u>3,913,292,600</u>	<u>4,023,999,300</u>	<u>3,721,883,800</u>	<u>4,023,169,000</u>
EXPENDITURES BY UNIT				
Executive Policy and Management	734,200	771,400	687,900	687,900
Operations and Support Services	15,325,900	15,415,300	14,152,800	14,878,600
Learning and Results Services	1,215,054,700	1,307,171,500	1,267,634,700	1,412,709,800
Support Education Excellence in Kentucky (SEEK)	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700
TOTAL EXPENDITURES	<u>3,913,292,600</u>	<u>4,023,999,300</u>	<u>3,721,883,800</u>	<u>4,023,169,000</u>

In enacting the Kentucky Education Reform Act (KERA), the 1990 General Assembly provided for a reconstituted Department of Education to implement KERA along with existing programs. In accordance with KRS 156.148, the Department of Education is headed by a Commissioner of Education appointed by the Kentucky Board of Education.

Policy

In light of continuing revenue constraints, the Budget of the Commonwealth for the Department of Education during the 2004-2006 biennium contains funding reductions in certain non-Support Education Excellence in Kentucky (SEEK) program areas. Due to this fact, the enacted budget continues the policy established during the 2002-2004 biennium of designating five programs - Extended School Services, Preschool, Professional Development, Safe Schools, and Textbooks - "Flexible Focus Funds." This permits local school districts to use discretion in the allocation of these funds while still addressing the governing statutes and serving the needs of the target populations.

**Department of Education
Support Education Excellence in Kentucky (SEEK)**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700
Total General Fund	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700
TOTAL SOURCE OF FUNDS	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700
TOTAL EXPENDITURES	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700
EXPENDITURES BY FUND SOURCE				
General Fund	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700
TOTAL EXPENDITURES	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700
EXPENDITURES BY UNIT				
Base Funding	1,932,988,100	1,947,955,500	1,694,249,000	1,825,126,600
Pupil Transportation	224,231,700	234,843,100	211,953,500	211,953,500
Equalized Facilities	73,618,800	69,040,400	71,486,200	78,475,900
Tier I Equalization	141,069,300	136,088,100	145,295,100	145,649,300
National Board Certification Salary Supplement	1,358,000	1,758,000	1,458,000	1,858,000
School Facilities Matching Grant				225,000
State-Run Vocational Schools Reimbursement	22,455,400	23,646,500	21,952,600	21,952,600
Vocational Education Transportation	2,416,900	2,416,900	2,416,900	2,416,900
Local District Teachers' Retirement Match	284,039,600	284,892,600	290,497,100	307,234,900
Classroom Teacher/Classified Staff			100,000	
TOTAL EXPENDITURES	2,682,177,800	2,700,641,100	2,439,408,400	2,594,892,700

The 1990 General Assembly, responding to the Kentucky Supreme Court's 1989 mandate to equalize funding for public school pupils regardless of economic circumstances or place of birth, created a new mechanism for distributing state support to local school districts. The Support Education Excellence in Kentucky (SEEK) program replaced the Minimum Foundation and Power Equalization programs.

**DEPARTMENT OF EDUCATION
Support Education Excellence in Kentucky**

Under the SEEK funding formula, the state sets a fixed base guarantee amount per student in average daily attendance. The guarantee amount to the right, as well as all other numbers in this example, are budgeted fiscal year 2006 figures.

BASE PER PUPIL GUARANTEE

\$3,445	X	579,643 Pupils In Average Daily Attendance	=	\$1,996.9 Million
---------	---	--	---	----------------------

The amount of revenue per pupil guaranteed by SEEK is then adjusted upward for each local school district to reflect a set of factors that affect the cost of providing services to pupils.

+

AT-RISK ADJUSTMENT

\$3,445 X 15% = \$517	X	283,333 Pupils	=	\$146.4 Million
--------------------------	---	-------------------	---	--------------------

An adjustment, 15% of the base per pupil guarantee, is made to reflect the higher than average costs associated with educating economically deprived ("at-risk") students. "At-Risk" is operationally defined as federal free lunch program eligible. The 15% adjustment is added to the base per pupil guarantee amount for such pupils.

+

EXCEPTIONAL CHILDREN ADJUSTMENT

SEVERE (\$3,445 X 2.35 Weight = \$8,096 Adjustment)	MODERATE (\$3,445 X 1.17 Weight = \$4,031 Adjustment)	MILD (\$3,445 X 0.24 Weight = \$827 Adjustment)
X	X	X
15,404 Pupils	55,596 Pupils	22,928 Pupils
+	+	=
\$367.8 Million		

The per pupil guarantee is also increased for exceptional children by a series of weights designed to reflect the additional costs of providing services to such pupils. The costs associated with educating exceptional children are based on a count of pupils with different disabilities, a state-determined exceptional pupil-teacher ratio for each disability or service, and a resulting per pupil cost.

An adjustment is made for the cost of educating pupils taught at home or in a hospital during the period of their illness or convalescence. Such pupils generate additional funds amounting to the base per pupil guarantee minus one hundred dollars (normally dedicated to capital outlay).

+
HOME AND HOSPITAL ADJUSTMENT

$\$3,445 - \$100 =$ $\$3,345$	x	1,750 Pupils	=	\$5.9 Million
----------------------------------	---	--------------	---	----------------------

The 2005 Regular Session of the General Assembly, via HB 267 (Executive Branch Appropriations Act), established a new weight based on limited English proficiency (LEP). Based on the higher costs associated with educating LEP students, the new weight was established at 7.5% of the base per pupil guarantee. The LEP weight takes effect in FY 2006.

+
LIMITED ENGLISH PROFICIENCY ADJUSTMENT

$\$3,445 \times 7.5\% =$ $\$258$	x	10,837 Pupils	=	\$2.8 Million
-------------------------------------	---	------------------	---	--------------------------

The base per pupil guarantee is supplemented by the costs determined under the pupil transportation calculation procedures. Pupil transportation calculated costs are based on the number of pupils transported, the geographic characteristics of a given school district and the distribution of pupils along the most efficient routes.

+
PUPIL TRANSPORTATION

Number of Students Transported Relative To Geographic Distribution of Students	=	\$212 Million
---	---	--------------------------

The base per pupil guarantee as adjusted for at-risk, exceptional, home & hospital, limited English proficient pupils (as of fiscal year 2006), as well as for transportation costs becomes the total calculated per pupil base SEEK cost.

Base Per Pupil Guarantee + At-Risk Adjustment + Exceptional Children Adjustment + Home/Hospital Adjustment + LEP Adjustment + Transportation	=	TOTAL CALCULATED BASE PER PUPIL SEEK COST	=	\$2,731.8 Million
---	---	--	---	------------------------------

Equalization of per pupil revenues among local school districts under the SEEK program begins with a requirement that every local school district levy a minimum equivalent tax rate of 30 cents per hundred dollars of assessed valuation. This tax level may be attained via local property taxes, available alternative taxes (occupational, utility or income) or any combination of such taxes. The yield from this tax effort serves as a deduction against the revenues guaranteed by the state under SEEK. Every district is guaranteed that its minimum tax levy will produce the same dollars per student regardless of the district's property tax base. This results in the state providing a greater proportion of per pupil revenues in those districts with lower property wealth per pupil.

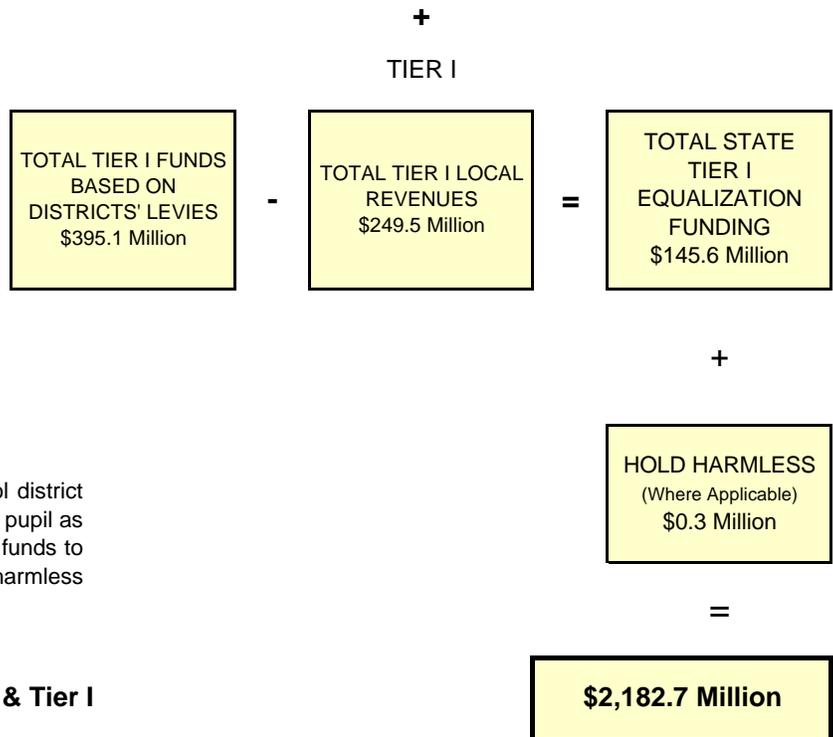
-
REQUIRED LOCAL EFFORT

\$231.6 Billion Local School Districts' Assessed Property	x	Required Minimum Tax Levy 30 Cents Per \$100 Assessed Property	=	\$694.8 Million Required Local Effort
--	---	---	---	---

\$2,037.1 Million State Portion of Basic SEEK Cost
--

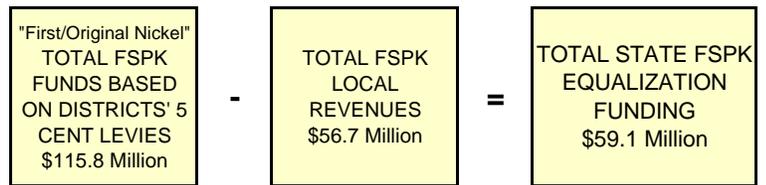
All local school districts have the option to impose taxes sufficient to generate revenues up to 15 percent over those generated under base SEEK. Districts with assessed property per pupil less than 150 percent of the statewide average (set at \$587,000 for the 2004-2006 biennium) receive funds from the state sufficient to garner revenues from these additional taxes equal to those generated if their per pupil property wealth was indeed 150 percent of the statewide average. In other words, the state guarantees an additional local levy will produce the same revenue in property-poor districts as would be produced in richer districts. The local tax levied under this provision is not subject to voter recall.

After completion of the preceding calculations, any school district failing to receive at least as much state SEEK funding per pupil as it received in fiscal year 1992 is provided additional state funds to sustain that funding level, referred to as SEEK's hold-harmless provision.



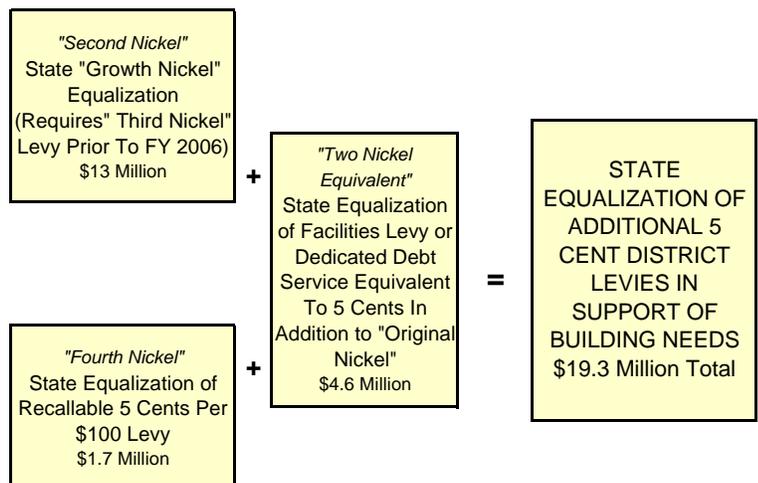
Total State Per Pupil Funding - Base SEEK & Tier I

The SEEK program also includes an equalized facilities support component (Facilities Support Program of Kentucky or FSPK) for the purpose of providing a supplemental funding source for each local school district for construction and renovation projects and related debt service outlays. To participate, a district must levy a minimum equivalent tax rate of 5 cents per one hundred dollars of assessed valuation. Revenues generated by this tax must be dedicated to financing capital projects or debt service on construction bonds. Such revenue, like that under the Tier I component, is equalized at 150 percent of the statewide average per pupil property assessment.



EQUALIZED FACILITIES SUPPORT

There are additional avenues for school districts to raise revenues for building and renovation purposes. Districts experiencing substantial student growth may levy an additional 5 cents per one hundred dollars of assessed valuation tax not subject to voter recall. If a district also levies another 5 cent tax - subject to voter recall - prior to fiscal year 2005, the original 5 cent "growth" levy qualifies for state equalization at 150 percent of the statewide average per pupil property assessment. All districts, regardless of growth, may levy - subject to voter recall - an additional 5 cents per one hundred dollars of assessed valuation tax for facilities purposes that is also eligible for state equalization. Finally, school districts committing the equivalent of 5 cents per one hundred dollars of assessed valuation in addition to the 5 cent levy required for participation in the Facilities Support Program of Kentucky are eligible for state equalization of the 5 cent equivalent at 150 percent of the statewide average per pupil property assessment.



Policy

The enacted Budget of the Commonwealth includes funding to increase the base SEEK per pupil guarantee amount to \$3,240 in fiscal year 2005 and to \$3,445 in fiscal year 2006. This represents a 1.5% increase in fiscal year 2005 compared to fiscal year 2004 and an additional 6.3% increase in fiscal year 2006 compared to fiscal year 2005.

The enacted budget provides funding to accommodate actual average daily attendance of 577,343 and actual total local school district assessed property valuation of \$217.8 billion in fiscal year 2005. In fiscal year 2006, the budget provides funding to accommodate projected average daily attendance of 579,643 and projects total local school district assessed property valuation of \$231.6 billion. Projected numbers represent a consensus reached by the Kentucky Revenue Department, the Department of Education and the Office of State Budget Director.

New funding is included in fiscal year 2006 to begin providing an adjustment - set at 7.5% of the base per pupil guarantee - to assist with the additional cost involved in educating limited English proficient pupils.

The Budget of the Commonwealth maintains funding for the pupil transportation program at fiscal year's level of \$211,953,500 in both fiscal year 2005 and fiscal year 2006.

The enacted budget includes \$145,295,100 in fiscal year 2005 to provide Tier I funding to eligible local school districts to equalize local revenues raised under this SEEK component at a level of \$587,000 of assessed property valuation per student (150 percent of the projected statewide average per pupil during the 2004-2006 biennium). The budget provides \$145,649,300 in fiscal year 2006 for Tier I.

Also included in the enacted budget is "hold harmless" funding - \$2,557,300 in fiscal year 2005 and \$269,100 in fiscal year 2006 - to provide every school district with at least the same level of SEEK funding per pupil during the 2004-2006 biennium as was provided in fiscal year 1992.

The Budget of the Commonwealth provides funding for the Facilities Support Program of Kentucky (FSPK) in the amounts of \$62,890,800 in fiscal year 2005 and \$59,075,400 in fiscal year 2006 to provide equalization funding for local district revenues raised by the 5 cent per one hundred dollars of assessed valuation levy required for participation in FSPK. As with Tier I, local revenues will be equalized at a level of \$587,000 of assessed property valuation per student in both fiscal year 2005 and fiscal year 2006.

An additional \$8,595,400 in fiscal year 2005 and \$13,047,300 in fiscal year 2006 is provided to equalize revenues raised by local school districts that have levied an additional 5 cents per one hundred dollars of assessed valuation for building needs associated with enrollment growth. To qualify in fiscal year 2005, a district must have also levied - prior to fiscal year 2004 - a third five cents per hundred dollars of assessed valuation designated for facilities and must meet "growth district" criteria (at least a three percent increase amounting to a minimum of 150 additional pupils during the previous five year period). To qualify in fiscal year 2006, a district must have implemented the second and third five cent levies before or during fiscal year 2005.

The enacted budget includes \$1,724,500 in new funding in fiscal year 2006 for state equalization of a fourth five cent levy. This levy is not dependent on student growth but must be dedicated to a school district's facilities needs. Finally, the budget includes \$4,628,700 in fiscal year 2006 for state equalization in cases where districts have levied at least a ten cent equivalent tax rate (the initial 5 cent rate required by FSPK plus 5 additional cents) or have debt service or other funds committed to facilities which, combined with the initial FSPK required 5 cent rate, are equivalent to the ten cent rate. Districts eligible for "growth district" equalization are not eligible for this equalization.

The Budget of the Commonwealth includes \$225,000 in fiscal year 2006 for a new School Facilities Matching Grant Initiative for school districts 1) having received a monetary contribution of at least \$900,000 in the prior fiscal year that is dedicated to a project on the approved facility plan, 2) having levied an equivalent tax rate in excess of the maximum Tier I rate, 3) having more than 75 percent of its student body eligible for free and reduced school meals.

The enacted budget includes \$21,952,600 in both fiscal year 2005 and fiscal year 2006 to reimburse state-operated vocational facilities for the costs of providing course offerings to students from local school districts. Funding for vocational education transportation is maintained at the fiscal year 2004 level of \$2,416,900.

Funding is provided - \$290,497,100 in fiscal year 2005 and \$307,234,900 in fiscal year 2006 - for the Teachers' Retirement employer match on behalf of local school districts.

The Budget of the Commonwealth provides \$1,458,000 in fiscal year 2005 and \$1,858,000 in fiscal year 2006 for salary supplements of \$2,000 annually for teachers achieving and maintaining certification by the National Board for Professional Teaching Standards. This will permit access to this program in fiscal year 2006 to persons not participating in the process of attaining National Board certification prior to fiscal year 2005.

The enacted budget includes funding to accommodate the aggregate cost of a required one percent pay increase for all local school district employees effective January 1, 2005. Districts are also required to have provided a minimum two percent pay increase for all employees at the beginning of school year 2005. The budget includes \$100,000 to assist any local school district deemed by the Department of Education to be financially incapable of providing the required increases. For fiscal year 2006, the budget includes funding to accommodate the aggregate cost of a required minimum three percent pay increase for all local school district employees effective at the beginning of the school year.

**Department of Education
Executive Policy and Management**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	734,200	771,400	687,900	687,900
Total General Fund	734,200	771,400	687,900	687,900
TOTAL SOURCE OF FUNDS	734,200	771,400	687,900	687,900
EXPENDITURES BY CLASS				
Personnel Cost	599,100	636,300	568,400	582,500
Operating Expenses	135,100	135,100	119,500	105,400
TOTAL EXPENDITURES	734,200	771,400	687,900	687,900
EXPENDITURES BY FUND SOURCE				
General Fund	734,200	771,400	687,900	687,900
TOTAL EXPENDITURES	734,200	771,400	687,900	687,900
EXPENDITURES BY UNIT				
Commissioner	627,400	664,600	581,100	581,100
Kentucky Board of Education	106,800	106,800	106,800	106,800
TOTAL EXPENDITURES	734,200	771,400	687,900	687,900

The Department of Education's Executive Policy and Management function consists of the Commissioner of Education and the Kentucky Board of Education.

The 1990 General Assembly, as part of the Kentucky Education Reform Act (KERA), provided in KRS 156.148 for the appointment of a Commissioner of Education by the Kentucky Board of Education to serve as the chief state school officer.

As part of the same legislation, the General Assembly, in KRS 156.029, created an 11 member Kentucky Board of Education. Board members are appointed by the Governor and confirmed by the Senate and the House of Representatives. Seven members are selected from the state's seven Supreme Court districts and four are appointed from the state at large. Board members serve four-year staggered terms. The Executive Director of the Council on Postsecondary Education serves as an ex officio non-voting board member. Overall policy regarding public elementary and secondary education in Kentucky is set by the Kentucky Board of Education within the legal framework established by the General Assembly.

The Commissioner of Education's qualifications and compensation are set by the Kentucky Board of Education. The Commissioner serves at the pleasure of the Board. The Commissioner is responsible for carrying out all duties assigned by the legislature, for executing education policy as directed by the State Board, and directing the work of all persons employed by the Department of Education.

**Department of Education
Operations and Support Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,411,700	13,033,100	10,888,600	14,813,400
Special Appropriation				333,000
Total General Fund	12,411,700	13,033,100	10,888,600	15,146,400
Restricted Funds				
Balance Forward	581,800		581,800	
Current Receipts	815,600	865,400	1,165,600	1,215,400
Non-Revenue Receipts	1,489,000	1,489,000	1,489,000	1,489,000
Total Restricted Funds	2,886,400	2,354,400	3,236,400	2,704,400
Federal Funds				
Current Receipts	27,800	27,800	27,800	27,800
Total Federal Funds	27,800	27,800	27,800	27,800
TOTAL SOURCE OF FUNDS	15,325,900	15,415,300	14,152,800	17,878,600
EXPENDITURES BY CLASS				
Personnel Cost	10,434,200	11,059,500	9,147,800	9,400,700
Operating Expenses	4,322,600	4,328,000	4,085,900	4,127,100
Grants, Loans or Benefits	569,100	27,800	919,100	377,800
Debt Service				973,000
TOTAL EXPENDITURES	15,325,900	15,415,300	14,152,800	14,878,600
EXPENDITURES BY FUND SOURCE				
General Fund	12,411,700	13,033,100	10,888,600	12,146,400
Restricted Funds	2,886,400	2,354,400	3,236,400	2,704,400
Federal Funds	27,800	27,800	27,800	27,800
TOTAL EXPENDITURES	15,325,900	15,415,300	14,152,800	14,878,600
EXPENDITURES BY UNIT				
Deputy Commissioner	231,800	244,900	212,300	212,300
Internal Administration and Support	10,840,200	10,737,900	9,666,500	10,398,300
Legal and Legislative Services	441,500	461,900	574,300	584,200
Communications	1,905,300	2,001,000	1,747,000	1,730,500
Results Planning	1,907,100	1,969,600	1,952,700	1,953,300
TOTAL EXPENDITURES	15,325,900	15,415,300	14,152,800	14,878,600

The Operations and Support Services Program area consists of the Office of Internal Administration, Office of Legal and Legislative Services, Office of Communications, and Office of Results Planning.

**Department of Education
Operations and Support Services
Deputy Commissioner**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	231,800	244,900	212,300	212,300
Total General Fund	231,800	244,900	212,300	212,300
TOTAL SOURCE OF FUNDS	231,800	244,900	212,300	212,300
EXPENDITURES BY CLASS				
Personnel Cost	204,300	217,400	193,200	198,300
Operating Expenses	27,500	27,500	19,100	14,000
TOTAL EXPENDITURES	231,800	244,900	212,300	212,300
EXPENDITURES BY FUND SOURCE				
General Fund	231,800	244,900	212,300	212,300
TOTAL EXPENDITURES	231,800	244,900	212,300	212,300

The Deputy Commissioner and associated support staff provide policy and administrative direction for the Operations and Support Services program area. The Deputy Commissioner reports directly to the Commissioner of Education.

**Department of Education
Operations and Support Services
Internal Administration and Support**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,307,700	8,696,900	6,784,000	10,674,300
Special Appropriation				333,000
Total General Fund	8,307,700	8,696,900	6,784,000	11,007,300
Restricted Funds				
Balance Forward	541,300		541,300	
Current Receipts	740,200	790,000	1,090,200	1,140,000
Non-Revenue Receipts	1,251,000	1,251,000	1,251,000	1,251,000
Total Restricted Funds	2,532,500	2,041,000	2,882,500	2,391,000
TOTAL SOURCE OF FUNDS	10,840,200	10,737,900	9,666,500	13,398,300
EXPENDITURES BY CLASS				
Personnel Cost	6,714,100	7,107,200	5,504,500	5,679,000
Operating Expenses	3,584,800	3,630,700	3,270,700	3,396,300
Grants, Loans or Benefits	541,300		891,300	350,000
Debt Service				973,000
TOTAL EXPENDITURES	10,840,200	10,737,900	9,666,500	10,398,300
EXPENDITURES BY FUND SOURCE				
General Fund	8,307,700	8,696,900	6,784,000	8,007,300
Restricted Funds	2,532,500	2,041,000	2,882,500	2,391,000
TOTAL EXPENDITURES	10,840,200	10,737,900	9,666,500	10,398,300
EXPENDITURES BY UNIT				
Associate Commissioner	561,700	591,200	537,300	549,600
Budgets	919,400	982,400	611,400	1,599,600
Financial and Materials Management	3,957,300	3,513,500	3,466,000	3,062,300
KDE Teachers' Retirement Match	3,224,100	3,376,200	2,531,700	2,607,800
Administrative Services	1,573,000	1,627,300	1,953,800	1,998,300
Human Resources	604,700	647,300	566,300	580,700
TOTAL EXPENDITURES	10,840,200	10,737,900	9,666,500	10,398,300

The Office of Internal Administration and Support consists of the following divisions: Budgets; Financial and Materials Management; Administrative Services; and Human Resources.

The Division of Budgets supervises all aspects of budget creation, both annual and biennial, budget analysis and forecasting, expenditure authorizations, personnel approvals, and allotment and appropriation adjustments and increases. The division serves as agency liaison with the Governor's Office for Policy and Management and Legislative Research Commission budget staff.

The Division of Financial and Materials Management supervises all expenditure and accounting transactions, purchasing and document preparation, and pre-audit functions. The division serves as liaison with the Auditor of Public Accounts and the Finance and Administration Cabinet and also is the primary department authority for MARS training and implementation.

The Division of Administrative Services is responsible for: insurance, leasing, management of leased property, inventory, telecommunications equipment, copiers, mail, office and furniture moves, receiving and distribution of equipment and materials, printing, and processing of documents to archives. The division is also responsible for capital project planning, budgeting and administration.

The Division of Human Resources provides personnel and payroll services to department staff. These services include initiation of master agreements with local education agencies as well as administration of the state merit system, Family Medical Leave Act, Workers' Compensation, sick leave sharing, tuition assistance, employee training, Fair Labor Standards Act, Americans With Disabilities Act and all other related employment laws and regulations.

Policy

The additional \$1,500,000 in General Funds for maintenance and upgrading of the Russell County Learning Center as well as the additional \$1,500,000 in General Funds for upgrading the Letcher County Central Vocational Center was vetoed by Governor Fletcher and sustained by the General Assembly; House Bill 350 provided sufficient debt service for both projects. As a consequence, \$3,000,000 of the General Fund appropriation will lapse.

**Department of Education
Operations and Support Services
Legal and Legislative Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	441,500	461,900	574,300	584,200
Total General Fund	441,500	461,900	574,300	584,200
TOTAL SOURCE OF FUNDS	441,500	461,900	574,300	584,200
EXPENDITURES BY CLASS				
Personnel Cost	392,500	412,900	474,300	484,200
Operating Expenses	49,000	49,000	100,000	100,000
TOTAL EXPENDITURES	441,500	461,900	574,300	584,200
EXPENDITURES BY FUND SOURCE				
General Fund	441,500	461,900	574,300	584,200
TOTAL EXPENDITURES	441,500	461,900	574,300	584,200
EXPENDITURES BY UNIT				
Associate Commissioner			374,300	384,200
BOSS-Management Assistance Program			200,000	200,000
TOTAL EXPENDITURES			574,300	584,200

The Office of Legal and Legislative Services provides in-house counsel and advice for the Commissioner of Education, all offices of the Department of Education, and the Kentucky Board of Education. The office provides legal representation for the Department of Education and Kentucky Board of Education before administrative agencies and courts of law. It provides informal legal advice to local school districts and members of the general public. The office serves as the Kentucky Department of Education's liaison with the General Assembly.

Policy

The Budget of the Commonwealth restores General Fund support - \$200,000 in both fiscal year 2005 and fiscal year 2006 - for the Management Assistance Program. The Management Assistance Program provides both oversight and assistance to local school districts, with emphasis on proper financial management and instructional leadership in support of schools' and districts' movement toward student proficiency by 2014.

**Department of Education
Operations and Support Services
Communications**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,747,600	1,859,800	1,589,300	1,589,300
Total General Fund	1,747,600	1,859,800	1,589,300	1,589,300
Restricted Funds				
Balance Forward	16,500		16,500	
Current Receipts	75,400	75,400	75,400	75,400
Non-Revenue Receipts	38,000	38,000	38,000	38,000
Total Restricted Funds	129,900	113,400	129,900	113,400
Federal Funds				
Current Receipts	27,800	27,800	27,800	27,800
Total Federal Funds	27,800	27,800	27,800	27,800
TOTAL SOURCE OF FUNDS	1,905,300	2,001,000	1,747,000	1,730,500
EXPENDITURES BY CLASS				
Personnel Cost	1,651,900	1,764,100	1,547,100	1,585,900
Operating Expenses	225,600	209,100	172,100	116,800
Grants, Loans or Benefits	27,800	27,800	27,800	27,800
TOTAL EXPENDITURES	1,905,300	2,001,000	1,747,000	1,730,500
EXPENDITURES BY FUND SOURCE				
General Fund	1,747,600	1,859,800	1,589,300	1,589,300
Restricted Funds	129,900	113,400	129,900	113,400
Federal Funds	27,800	27,800	27,800	27,800
TOTAL EXPENDITURES	1,905,300	2,001,000	1,747,000	1,730,500
EXPENDITURES BY UNIT				
Associate Commissioner	672,300	709,300	618,800	618,800
Publications/Web Services	776,500	806,100	712,100	695,600
Video/Multimedia Services	456,500	485,600	416,100	416,100
TOTAL EXPENDITURES	1,905,300	2,001,000	1,747,000	1,730,500

The Office of Communications consists of two divisions: Publications and Web Services and Video and Multimedia Services. The office is responsible for print, broadcast, Internet and other electronic information programs for educators, legislators, the education community and the general public. The office is also responsible for media services for professional development, news media relations for the Commissioner and the Department of Education, awards and recognition activities, event planning and school visits and statewide tours by the Commissioner.

**Department of Education
Operations and Support Services
Results Planning**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,683,100	1,769,600	1,728,700	1,753,300
Total General Fund	1,683,100	1,769,600	1,728,700	1,753,300
Restricted Funds				
Balance Forward	24,000		24,000	
Non-Revenue Receipts	200,000	200,000	200,000	200,000
Total Restricted Funds	224,000	200,000	224,000	200,000
TOTAL SOURCE OF FUNDS	1,907,100	1,969,600	1,952,700	1,953,300
EXPENDITURES BY CLASS				
Personnel Cost	1,471,400	1,557,900	1,428,700	1,453,300
Operating Expenses	435,700	411,700	524,000	500,000
TOTAL EXPENDITURES	1,907,100	1,969,600	1,952,700	1,953,300
EXPENDITURES BY FUND SOURCE				
General Fund	1,683,100	1,769,600	1,728,700	1,753,300
Restricted Funds	224,000	200,000	224,000	200,000
TOTAL EXPENDITURES	1,907,100	1,969,600	1,952,700	1,953,300
EXPENDITURES BY UNIT				
Associate Commissioner	418,500	442,300	376,100	386,100
Virtual Learning	761,500	757,800	1,024,000	1,000,000
Data Policy Mgmt Research	727,100	769,500	552,600	567,200
TOTAL EXPENDITURES	1,907,100	1,969,600	1,952,700	1,953,300

The Office of Results Planning is a stand-alone entity reporting directly to the Commissioner of Education. For purposes of budgeting, the office is included within the Operations and Support Services appropriation unit.

The mission of the Office of Results Planning is to provide strategic planning and coordination of activities across the Department of Education in order to focus the Department's work on improving results for students and schools. The office consists of two divisions, both designed to promote the transition of education and educators to technology-based and data-driven work environments and applications. The Division of Virtual Learning operates the Kentucky Virtual High School and promotes virtual teaming and online professional development within the Department and also with local school districts. The Division of Data Policy Management and Research employs the data enterprise system developed with the Education Professional Standards Board and the Council on Postsecondary Education. The system assists in coordinating data collection and use from P-16 schools statewide.

**Department of Education
Learning and Results Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	685,998,500	778,038,800	641,170,200	781,797,100
Continuing Appropriation			717,700	
Total General Fund	685,998,500	778,038,800	641,887,900	781,797,100
Tobacco Settlement-Phase I				
Tobacco Settlement - I	2,095,600	2,108,400	1,888,400	1,888,400
Total Tobacco Settlement-Phase I	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds				
Balance Forward	95,200		95,200	
Current Receipts	1,651,200	1,651,200	1,651,200	1,651,200
Non-Revenue Receipts	150,000	150,000	150,000	150,000
Fund Transfers			-102,200	
Total Restricted Funds	1,896,400	1,801,200	1,794,200	1,801,200
Federal Funds				
Balance Forward	85,200		85,200	
Current Receipts	524,829,700	525,073,800	621,829,700	627,073,800
Non-Revenue Receipts	149,300	149,300	149,300	149,300
Total Federal Funds	525,064,200	525,223,100	622,064,200	627,223,100
TOTAL SOURCE OF FUNDS	1,215,054,700	1,307,171,500	1,267,634,700	1,412,709,800
EXPENDITURES BY CLASS				
Personnel Cost	48,162,800	50,185,500	66,110,700	66,690,300
Operating Expenses	8,116,400	8,021,200	5,920,500	5,498,400
Grants, Loans or Benefits	1,158,775,500	1,248,964,800	1,195,603,500	1,340,521,100
TOTAL EXPENDITURES	1,215,054,700	1,307,171,500	1,267,634,700	1,412,709,800
EXPENDITURES BY FUND SOURCE				
General Fund	685,998,500	778,038,800	641,887,900	781,797,100
Tobacco Settlement-Phase I	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds	1,896,400	1,801,200	1,794,200	1,801,200
Federal Funds	525,064,200	525,223,100	622,064,200	627,223,100
TOTAL EXPENDITURES	1,215,054,700	1,307,171,500	1,267,634,700	1,412,709,800
EXPENDITURES BY UNIT				
Deputy Commissioner	15,427,400	15,355,300	14,466,200	15,424,300
Special Instructional Services	330,617,300	331,682,900	425,033,700	431,409,300
Leadership and School Improvement	10,503,700	10,618,700	8,897,200	8,900,500
Supportive Learning Environments	69,040,200	69,195,200	66,200,400	68,616,200
Assessment and Accountability	25,616,200	25,685,400	15,497,800	15,508,500
Academic and Professional Development	152,791,600	174,681,800	122,496,400	148,727,400
District Support Services	579,915,500	648,663,000	584,130,800	693,702,800
Education Technology	31,142,800	31,289,200	30,912,200	30,420,800
TOTAL EXPENDITURES	1,215,054,700	1,307,171,500	1,267,634,700	1,412,709,800

The Learning and Results Services program area consists of the following offices: Special Instructional Services; Leadership and School Improvement; Supportive Learning Environments; Assessment and Accountability; Academic and Professional Development; District Support Services; and Education Technology. Each office is headed by an associate commissioner.

**Department of Education
Learning and Results Services
Deputy Commissioner**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	15,192,900	15,206,000	14,231,700	15,275,000
Total General Fund	15,192,900	15,206,000	14,231,700	15,275,000
Federal Funds				
Balance Forward	85,200		85,200	
Non-Revenue Receipts	149,300	149,300	149,300	149,300
Total Federal Funds	234,500	149,300	234,500	149,300
TOTAL SOURCE OF FUNDS	15,427,400	15,355,300	14,466,200	15,424,300
EXPENDITURES BY CLASS				
Personnel Cost	393,600	321,500	274,600	195,600
Operating Expenses	552,700	552,700	200,200	194,000
Grants, Loans or Benefits	14,481,100	14,481,100	13,991,400	15,034,700
TOTAL EXPENDITURES	15,427,400	15,355,300	14,466,200	15,424,300
EXPENDITURES BY FUND SOURCE				
General Fund	15,192,900	15,206,000	14,231,700	15,275,000
Federal Funds	234,500	149,300	234,500	149,300
TOTAL EXPENDITURES	15,427,400	15,355,300	14,466,200	15,424,300
EXPENDITURES BY UNIT				
Deputy Commissioner	261,800	274,900	240,300	240,300
National Center Education Statistics Project	234,500	149,300	234,500	149,300
Staff Development	14,525,600	14,525,600	13,991,400	15,034,700
Statewide Teacher Recruitment	405,500	405,500		
TOTAL EXPENDITURES	15,427,400	15,355,300	14,466,200	15,424,300

The Deputy Commissioner and associated support staff provide policy and administrative direction for the Learning Support Services major program area. The Deputy Commissioner reports directly to the Commissioner of Education and has responsibility for the following offices: Special Instructional Services; Leadership and School Improvement; Supportive Learning Environments; Assessment and Accountability; Academic and Professional Development; District Support Services; and Education Technology.

Policy

The Budget of the Commonwealth provides an increase in funding for the Professional Development program of approximately \$1 million in fiscal year 2006 compared to both fiscal year 2004 and fiscal year 2005. The enacted budget also continues to include Professional Development as one of five Flexible Focus Funds programs that may be modified to permit local school districts additional flexibility in the distribution of program funds across the five programs while still conforming to the governing statutes and meeting the needs of the target population.

Functions of the Statewide Teacher Recruitment program are being absorbed by the Division of Educator Recruitment and Retention.

**Department of Education
Learning and Results Services
Special Instructional Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	27,708,800	28,710,900	25,125,200	26,437,300
Total General Fund	27,708,800	28,710,900	25,125,200	26,437,300
Restricted Funds				
Balance Forward	95,200		95,200	
Current Receipts	926,200	926,200	926,200	926,200
Non-Revenue Receipts	150,000	150,000	150,000	150,000
Total Restricted Funds	1,171,400	1,076,200	1,171,400	1,076,200
Federal Funds				
Current Receipts	301,737,100	301,895,800	398,737,100	403,895,800
Total Federal Funds	301,737,100	301,895,800	398,737,100	403,895,800
TOTAL SOURCE OF FUNDS	330,617,300	331,682,900	425,033,700	431,409,300
EXPENDITURES BY CLASS				
Personnel Cost	19,091,300	20,252,100	18,333,300	18,961,500
Operating Expenses	2,527,700	2,432,500	2,023,100	1,772,000
Grants, Loans or Benefits	308,998,300	308,998,300	404,677,300	410,675,800
TOTAL EXPENDITURES	330,617,300	331,682,900	425,033,700	431,409,300
EXPENDITURES BY FUND SOURCE				
General Fund	27,708,800	28,710,900	25,125,200	26,437,300
Restricted Funds	1,171,400	1,076,200	1,171,400	1,076,200
Federal Funds	301,737,100	301,895,800	398,737,100	403,895,800
TOTAL EXPENDITURES	330,617,300	331,682,900	425,033,700	431,409,300
EXPENDITURES BY UNIT				
Associate Commissioner	514,200	545,100	433,500	446,300
Exceptional Children Services	89,114,600	89,204,300	89,104,300	89,186,300
Career and Technical Education	20,172,800	20,265,000	18,794,400	19,811,400
Federal Program Resources	205,426,100	205,499,400	302,426,100	307,499,400
Kentucky School for the Blind	6,226,700	6,582,000	5,768,700	5,885,600
Kentucky School for the Deaf	9,162,900	9,587,100	8,506,700	8,580,300
TOTAL EXPENDITURES	330,617,300	331,682,900	425,033,700	431,409,300

The Office of Special Instructional Services as established by KRS 156.010 contains five divisions: the Division of Exceptional Children Services; Division of Secondary Vocational Education; Division of Federal Program Resources; the Kentucky School for the Blind; and the Kentucky School for the Deaf.

**Department of Education
Learning and Results Services
Special Instructional Services
Associate Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	514,200	545,100	433,500	446,300
Total General Fund	<u>514,200</u>	<u>545,100</u>	<u>433,500</u>	<u>446,300</u>
TOTAL SOURCE OF FUNDS	514,200	545,100	433,500	446,300
EXPENDITURES BY CLASS				
Personnel Cost	506,000	536,900	425,300	438,100
Operating Expenses	8,200	8,200	8,200	8,200
TOTAL EXPENDITURES	<u>514,200</u>	<u>545,100</u>	<u>433,500</u>	<u>446,300</u>
EXPENDITURES BY FUND SOURCE				
General Fund	514,200	545,100	433,500	446,300
TOTAL EXPENDITURES	<u>514,200</u>	<u>545,100</u>	<u>433,500</u>	<u>446,300</u>

The Associate Commissioner for the Office of Special Instructional Services is responsible for five divisions: the Division of Exceptional Children Services; Division of Secondary Vocational Education; Division of Federal Program Resources; the Kentucky School for the Blind; and the Kentucky School for the Deaf. The Associate Commissioner reports to the Commissioner of Education through the Deputy Commissioner for Learning and Results Services.

**Department of Education
Learning and Results Services
Special Instructional Services
Exceptional Children Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	236,200	244,000	225,900	226,000
Total General Fund	236,200	244,000	225,900	226,000
Restricted Funds				
Current Receipts	57,800	57,800	57,800	57,800
Total Restricted Funds	57,800	57,800	57,800	57,800
Federal Funds				
Current Receipts	88,820,600	88,902,500	88,820,600	88,902,500
Total Federal Funds	88,820,600	88,902,500	88,820,600	88,902,500
TOTAL SOURCE OF FUNDS	89,114,600	89,204,300	89,104,300	89,186,300
EXPENDITURES BY CLASS				
Personnel Cost	1,588,400	1,678,100	1,582,600	1,664,600
Operating Expenses	179,700	179,700	175,200	175,200
Grants, Loans or Benefits	87,346,500	87,346,500	87,346,500	87,346,500
TOTAL EXPENDITURES	89,114,600	89,204,300	89,104,300	89,186,300
EXPENDITURES BY FUND SOURCE				
General Fund	236,200	244,000	225,900	226,000
Restricted Funds	57,800	57,800	57,800	57,800
Federal Funds	88,820,600	88,902,500	88,820,600	88,902,500
TOTAL EXPENDITURES	89,114,600	89,204,300	89,104,300	89,186,300
EXPENDITURES BY UNIT				
Exceptional Children Services	88,992,700	89,082,400	88,986,900	89,068,900
Special Education Mentors	121,900	121,900	117,400	117,400
TOTAL EXPENDITURES	89,114,600	89,204,300	89,104,300	89,186,300

Under provisions of KRS 156.010 and KRS 157.220, the Division of Exceptional Children Services oversees education programs for children and youth with disabilities and administers Kentucky programs associated with the federal Individuals with Disabilities Education Act.

The Division provides technical assistance to local school districts in the development and implementation of special education programs. The division engages in implementation and oversight activities in the following program areas:

Special Education Mentors -- Mentors work in schools and districts where special education programs are not in compliance with state or federal requirements. Mentors assist in creating and implementing improvement plans and work to increase the effectiveness of staff and relevant entities.

Preschool Special Education - Federal funds are provided under the Individuals With Disabilities Education Act (IDEA) to help states meet the extra cost of providing a free and appropriate public education to children ages three through five with an educational disability. The bulk of these funds flow directly to local school districts for their preschool special education programs. A portion of the funds goes to five early childhood training centers to assist districts in implementing their special education preschool programs. A final portion of the funds is retained by the Kentucky Department of Education for administrative activities of Kentucky's preschool special education programs.

Special Education Program Improvement - State Improvement Grants are awarded under the Individuals With Disabilities Education Act. Kentucky's improvement grant sets specific numerical goals to be attained over a five year period relative to school completion rates, qualified special education personnel, use of technology in teaching children with disabilities, effective early intervention services and successful transition to preschool programs.

Individuals With Disabilities Education - Federal IDEA funds are provided to help meet the extra cost of providing disabled students a free and appropriate public education beyond preschool. The bulk of these funds, as with preschool, flow directly to local school districts. A portion goes to fund eleven special education cooperatives to assist districts and a small amount is retained by the Kentucky Department of Education for administrative purposes.

**Department of Education
Learning and Results Services
Special Instructional Services
Career and Technical Education**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,864,000	11,952,700	10,485,600	11,499,100
Total General Fund	<u>11,864,000</u>	<u>11,952,700</u>	<u>10,485,600</u>	<u>11,499,100</u>
Restricted Funds				
Current Receipts	800,400	800,400	800,400	800,400
Total Restricted Funds	<u>800,400</u>	<u>800,400</u>	<u>800,400</u>	<u>800,400</u>
Federal Funds				
Current Receipts	7,508,400	7,511,900	7,508,400	7,511,900
Total Federal Funds	<u>7,508,400</u>	<u>7,511,900</u>	<u>7,508,400</u>	<u>7,511,900</u>
TOTAL SOURCE OF FUNDS	<u>20,172,800</u>	<u>20,265,000</u>	<u>18,794,400</u>	<u>19,811,400</u>
EXPENDITURES BY CLASS				
Personnel Cost	1,818,300	1,910,500	1,760,900	1,779,400
Operating Expenses	615,400	615,400	615,400	615,400
Grants, Loans or Benefits	17,739,100	17,739,100	16,418,100	17,416,600
TOTAL EXPENDITURES	<u>20,172,800</u>	<u>20,265,000</u>	<u>18,794,400</u>	<u>19,811,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	11,864,000	11,952,700	10,485,600	11,499,100
Restricted Funds	800,400	800,400	800,400	800,400
Federal Funds	7,508,400	7,511,900	7,508,400	7,511,900
TOTAL EXPENDITURES	<u>20,172,800</u>	<u>20,265,000</u>	<u>18,794,400</u>	<u>19,811,400</u>

The Division of Secondary Vocational Education provides technical assistance, consultative services, staff development and program monitoring to secondary vocational education programs in local school districts and area vocational education centers.

The Carl D. Perkins Vocational and Applied Technology Education Act provides federal vocational educational funds to local school districts offering approved secondary vocational education programs. The Division of Secondary Vocational Education administers these funds according to guidelines prescribed in Public Law 98-254.

Funding is provided to districts operating a local vocational school or vocational department within a school to help cover the administrative and operational costs of providing the vocational programs.

The Future Farmers of American (FFA) Camp facility at Hardinsburg provides leadership development to vocational organizations in the summer months. Participants generally spend three to five days at FFA Camp and receive intensive leadership training.

**Department of Education
Learning and Results Services
Special Instructional Services
Federal Program Resources**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts	18,000	18,000	18,000	18,000
Total Restricted Funds	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>
Federal Funds				
Current Receipts	205,408,100	205,481,400	302,408,100	307,481,400
Total Federal Funds	<u>205,408,100</u>	<u>205,481,400</u>	<u>302,408,100</u>	<u>307,481,400</u>
TOTAL SOURCE OF FUNDS	<u>205,426,100</u>	<u>205,499,400</u>	<u>302,426,100</u>	<u>307,499,400</u>
EXPENDITURES BY CLASS				
Personnel Cost	1,495,400	1,568,700	1,495,400	1,568,700
Operating Expenses	18,000	18,000	18,000	18,000
Grants, Loans or Benefits	203,912,700	203,912,700	300,912,700	305,912,700
TOTAL EXPENDITURES	<u>205,426,100</u>	<u>205,499,400</u>	<u>302,426,100</u>	<u>307,499,400</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	18,000	18,000	18,000	18,000
Federal Funds	205,408,100	205,481,400	302,408,100	307,481,400
TOTAL EXPENDITURES	<u>205,426,100</u>	<u>205,499,400</u>	<u>302,426,100</u>	<u>307,499,400</u>
EXPENDITURES BY UNIT				
Title I	145,136,200	145,192,800	242,136,200	247,192,800
Title VI	7,000,800	7,004,000	7,000,800	7,004,000
Other Federal Programs	53,289,100	53,302,600	53,289,100	53,302,600
TOTAL EXPENDITURES	<u>205,426,100</u>	<u>205,499,400</u>	<u>302,426,100</u>	<u>307,499,400</u>

The Division of Federal Program Resources administers many of the Department of Education's federal grant programs.

The Chapter I program provides remedial and supplementary educational services to disadvantaged students who meet at least one of the following criteria: educationally deprived; migrant; neglected or delinquent; handicapped and currently or formerly institutionalized; or confined in a correctional facility.

Chapter II of the Education Consolidation and Improvement Act of 1981 identifies six purposes for which funds must be targeted: programs for at-risk students; programs to acquire and use instructional materials; innovative programs for school-wide improvements, including effective schools programs; professional development programs; programs to enhance personal excellence of students and student achievement; and other innovative projects to enhance the educational climate of the school. These funds are provided to local educational agencies and participating private non-profit schools by a formula established in the federal law.

Other grant programs administered by this division include: Drug-Free Schools and Communities program and the Foreign Language Assistance program.

**Department of Education
Learning and Results Services
Special Instructional Services
Kentucky School for the Blind**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	6,176,700	6,532,000	5,718,700	5,835,600
Total General Fund	<u>6,176,700</u>	<u>6,532,000</u>	<u>5,718,700</u>	<u>5,835,600</u>
Restricted Funds				
Current Receipts	50,000	50,000	50,000	50,000
Total Restricted Funds	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
TOTAL SOURCE OF FUNDS	<u>6,226,700</u>	<u>6,582,000</u>	<u>5,768,700</u>	<u>5,885,600</u>
EXPENDITURES BY CLASS				
Personnel Cost	5,587,300	5,942,600	5,293,700	5,437,700
Operating Expenses	639,400	639,400	475,000	447,900
TOTAL EXPENDITURES	<u>6,226,700</u>	<u>6,582,000</u>	<u>5,768,700</u>	<u>5,885,600</u>
EXPENDITURES BY FUND SOURCE				
General Fund	6,176,700	6,532,000	5,718,700	5,835,600
Restricted Funds	50,000	50,000	50,000	50,000
TOTAL EXPENDITURES	<u>6,226,700</u>	<u>6,582,000</u>	<u>5,768,700</u>	<u>5,885,600</u>

The four subprograms of the Kentucky School for the Blind are Instruction, Residential, Operational Support and Outreach. These subprograms work together to provide instructional and residential programs for students of the School. All four subprograms involve both direct services to students and related services that are necessary to accomplish the direct services.

Instruction and Related Services includes supervision, teaching, supplies, equipment, and clerical services, all of which are needed for the regular instruction of the students enrolled at the Kentucky School for the Blind. Tools utilized are Braille, large print, electronic aids, and other special aids and methods for teaching basic academic skills, vocational skills, self-care skills, orientation and mobility, music, physical education, athletics, and counseling.

Residential Services include those services which are needed to provide housing, daily living skills, and leisure time activities for students who reside at the Kentucky School for the Blind. This subprogram also deals with transportation arrangements when residential students go home on weekends and at the end of the school year.

Operational Support includes administration, business management, food service, housekeeping, utilities and other operating expenses, maintenance of buildings and grounds, and health care. The positions of Superintendent and Coordinator of Instruction and Related Services are included in this subprogram.

The Outreach program provides consultative, technical and evaluative support to local school districts relating to education of students who are blind or visually impaired.

Federal Support includes funds to support federally mandated services. Funds received under Chapter I of the Education Consolidation and Improvement Act are used to provide services in the areas of speech therapy and basic skill instruction. Federal funds are also used to provide instruction and residential services for deaf-blind children.

**Department of Education
Learning and Results Services
Special Instructional Services
Kentucky School for the Deaf**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,917,700	9,437,100	8,261,500	8,430,300
Total General Fund	8,917,700	9,437,100	8,261,500	8,430,300
Restricted Funds				
Balance Forward	95,200		95,200	
Non-Revenue Receipts	150,000	150,000	150,000	150,000
Total Restricted Funds	245,200	150,000	245,200	150,000
TOTAL SOURCE OF FUNDS	9,162,900	9,587,100	8,506,700	8,580,300
EXPENDITURES BY CLASS				
Personnel Cost	8,095,900	8,615,300	7,775,400	8,073,000
Operating Expenses	1,067,000	971,800	731,300	507,300
TOTAL EXPENDITURES	9,162,900	9,587,100	8,506,700	8,580,300
EXPENDITURES BY FUND SOURCE				
General Fund	8,917,700	9,437,100	8,261,500	8,430,300
Restricted Funds	245,200	150,000	245,200	150,000
TOTAL EXPENDITURES	9,162,900	9,587,100	8,506,700	8,580,300

The Kentucky School for the Deaf (KSD) provides educational services to deaf children who cannot be served by local school districts. The School's educational program consists of appropriate classroom instruction, life skills, physical education, and vocational training. Students receive instruction in accordance with their Individual Education Plan that emphasizes language and communication skills development.

Students at the Kentucky School for the Deaf are housed in campus dormitories supervised by houseparents. The students receive practical living skill instruction in personal safety, hygiene, and independent living skills.

The Kentucky School for the Deaf also supports an outreach program which provides consultative, technical, and evaluative support to local school districts on how to provide effective educational services to deaf children attending school in a local district. The KSD is designated the Statewide Educational Resource Center on Deafness.

Policy

The Budget of the Commonwealth includes General Fund debt service support for major renovation of selected facilities at the Kentucky School for the Deaf, including renovation of space to accommodate new programs and to incorporate new assistive technology. Also planned is work on parking, deaf friendly annunciation and communication systems and ADA (Americans with Disabilities Act) accessibility.

**Department of Education
Learning and Results Services
Leadership and School Improvement**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,444,200	10,559,200	8,837,700	8,841,000
Total General Fund	10,444,200	10,559,200	8,837,700	8,841,000
Restricted Funds				
Current Receipts	15,000	15,000	15,000	15,000
Total Restricted Funds	15,000	15,000	15,000	15,000
Federal Funds				
Current Receipts	44,500	44,500	44,500	44,500
Total Federal Funds	44,500	44,500	44,500	44,500
TOTAL SOURCE OF FUNDS	10,503,700	10,618,700	8,897,200	8,900,500
EXPENDITURES BY CLASS				
Personnel Cost	7,012,500	7,127,500	6,201,400	6,227,800
Operating Expenses	985,000	985,000	834,300	811,200
Grants, Loans or Benefits	2,506,200	2,506,200	1,861,500	1,861,500
TOTAL EXPENDITURES	10,503,700	10,618,700	8,897,200	8,900,500
EXPENDITURES BY FUND SOURCE				
General Fund	10,444,200	10,559,200	8,837,700	8,841,000
Restricted Funds	15,000	15,000	15,000	15,000
Federal Funds	44,500	44,500	44,500	44,500
TOTAL EXPENDITURES	10,503,700	10,618,700	8,897,200	8,900,500
EXPENDITURES BY UNIT				
Associate Commissioner	324,000	341,400	296,900	296,900
Instructional Leadership Development	702,100	739,500	643,800	644,000
School Improvement	9,477,600	9,537,800	7,956,500	7,959,600
TOTAL EXPENDITURES	10,503,700	10,618,700	8,897,200	8,900,500

An Associate Commissioner who reports to the Learning and Results Services Deputy Commissioner heads the Office of Leadership and School Improvement. The Office consists of the following program units: Division of Instructional Leadership; Division of School Improvement; and Commonwealth Institute for Teachers.

**Department of Education
Learning and Results Services
Leadership and School Improvement
Associate Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	324,000	341,400	296,900	296,900
Total General Fund	<u>324,000</u>	<u>341,400</u>	<u>296,900</u>	<u>296,900</u>
TOTAL SOURCE OF FUNDS	324,000	341,400	296,900	296,900
EXPENDITURES BY CLASS				
Personnel Cost	298,300	315,700	272,100	277,600
Operating Expenses	25,700	25,700	24,800	19,300
TOTAL EXPENDITURES	<u>324,000</u>	<u>341,400</u>	<u>296,900</u>	<u>296,900</u>
EXPENDITURES BY FUND SOURCE				
General Fund	324,000	341,400	296,900	296,900
TOTAL EXPENDITURES	<u>324,000</u>	<u>341,400</u>	<u>296,900</u>	<u>296,900</u>

The Associate Commissioner for the Office of Leadership and School Improvement reports to the Learning Support Services Deputy Commissioner. The Office is responsible for administering and overseeing the following programs and units: Division of Instructional Leadership; Division of School Improvement; and Commonwealth Teacher Institute.

**Department of Education
Learning and Results Services
Leadership and School Improvement
Instructional Leadership Development**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	687,100	724,500	628,800	629,000
Total General Fund	687,100	724,500	628,800	629,000
Restricted Funds				
Current Receipts	15,000	15,000	15,000	15,000
Total Restricted Funds	15,000	15,000	15,000	15,000
TOTAL SOURCE OF FUNDS	702,100	739,500	643,800	644,000
EXPENDITURES BY CLASS				
Personnel Cost	566,900	604,300	508,600	518,100
Operating Expenses	37,700	37,700	37,700	28,400
Grants, Loans or Benefits	97,500	97,500	97,500	97,500
TOTAL EXPENDITURES	702,100	739,500	643,800	644,000
EXPENDITURES BY FUND SOURCE				
General Fund	687,100	724,500	628,800	629,000
Restricted Funds	15,000	15,000	15,000	15,000
TOTAL EXPENDITURES	702,100	739,500	643,800	644,000

The Division of Instructional Leadership Development organizes and monitors an endorsed trainer program to prepare individuals who will provide training and assistance on Site Based Decision Making (SBDM) issues. The Division advises school councils and local districts on SBDM implementation issues, and collects data about implementation of SBDM. It educates councils about best practices and assists schools and districts with SBDM legal roles and responsibilities.

The Division provides and monitors required training opportunities for superintendents working in their first year of service; administers and reports results of required testing; provides technical assistance for approval of the certified personnel evaluation plans for each local school district; provides required opportunities for school administrators and others to be trained in the process of effective evaluation of certified personnel; collects and approves all proposals of training opportunities to provide required leadership training for school administrators; develops and implements training programs for principals; and collects and analyzes data relative to each of the above initiatives.

**Department of Education
Learning and Results Services
Leadership and School Improvement
School Improvement**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	9,433,100	9,493,300	7,912,000	7,915,100
Total General Fund	<u>9,433,100</u>	<u>9,493,300</u>	<u>7,912,000</u>	<u>7,915,100</u>
Federal Funds				
Current Receipts	44,500	44,500	44,500	44,500
Total Federal Funds	<u>44,500</u>	<u>44,500</u>	<u>44,500</u>	<u>44,500</u>
TOTAL SOURCE OF FUNDS	<u>9,477,600</u>	<u>9,537,800</u>	<u>7,956,500</u>	<u>7,959,600</u>
EXPENDITURES BY CLASS				
Personnel Cost	6,147,300	6,207,500	5,420,700	5,432,100
Operating Expenses	921,600	921,600	771,800	763,500
Grants, Loans or Benefits	2,408,700	2,408,700	1,764,000	1,764,000
TOTAL EXPENDITURES	<u>9,477,600</u>	<u>9,537,800</u>	<u>7,956,500</u>	<u>7,959,600</u>
EXPENDITURES BY FUND SOURCE				
General Fund	9,433,100	9,493,300	7,912,000	7,915,100
Federal Funds	44,500	44,500	44,500	44,500
TOTAL EXPENDITURES	<u>9,477,600</u>	<u>9,537,800</u>	<u>7,956,500</u>	<u>7,959,600</u>
EXPENDITURES BY UNIT				
School Improvement	974,300	1,001,900	429,700	432,800
Commonwealth School Improvement	2,077,900	2,081,400	1,926,800	1,926,800
Highly Skilled Educators	6,425,400	6,454,500	5,600,000	5,600,000
TOTAL EXPENDITURES	<u>9,477,600</u>	<u>9,537,800</u>	<u>7,956,500</u>	<u>7,959,600</u>

The Division of School Improvement administers the Kentucky Highly Skilled Educators program and assists those schools identified by the CATS assessment and the Kentucky Board of Education as low-performing schools. Part of such assistance is provided via the Commonwealth School Improvement Fund; funds are provided schools to assist in developing and implementing strategies to raise a school's performance level.

**Department of Education
Learning and Results Services
Supportive Learning Environments**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	58,360,800	58,510,500	55,623,200	57,931,500
Total General Fund	58,360,800	58,510,500	55,623,200	57,931,500
Restricted Funds				
Current Receipts	375,000	375,000	375,000	375,000
Fund Transfers			-102,200	
Total Restricted Funds	375,000	375,000	272,800	375,000
Federal Funds				
Current Receipts	10,304,400	10,309,700	10,304,400	10,309,700
Total Federal Funds	10,304,400	10,309,700	10,304,400	10,309,700
TOTAL SOURCE OF FUNDS	69,040,200	69,195,200	66,200,400	68,616,200
EXPENDITURES BY CLASS				
Personnel Cost	1,880,100	2,035,100	1,759,600	1,593,700
Operating Expenses	643,400	643,400	496,200	460,100
Grants, Loans or Benefits	66,516,700	66,516,700	63,944,600	66,562,400
TOTAL EXPENDITURES	69,040,200	69,195,200	66,200,400	68,616,200
EXPENDITURES BY FUND SOURCE				
General Fund	58,360,800	58,510,500	55,623,200	57,931,500
Restricted Funds	375,000	375,000	272,800	375,000
Federal Funds	10,304,400	10,309,700	10,304,400	10,309,700
TOTAL EXPENDITURES	69,040,200	69,195,200	66,200,400	68,616,200
EXPENDITURES BY UNIT				
Associate Commissioner	30,600	30,600	30,600	280,600
Educator Recruitment and Retention	1,969,700	2,009,800	1,574,800	2,273,900
Equity	466,600	488,100	361,800	368,400
Student, Family and Community Support Services	66,573,300	66,666,700	64,233,200	65,693,300
TOTAL EXPENDITURES	69,040,200	69,195,200	66,200,400	68,616,200

The Office of Supportive Learning Environments consists of the Division of Educator Recruitment and Retention, the Division of Equity, and the Division of Student, Family and Community Support Services.

**Department of Education
Learning and Results Services
Supportive Learning Environments
Associate Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	30,600	30,600	30,600	280,600
Total General Fund	<u>30,600</u>	<u>30,600</u>	<u>30,600</u>	<u>280,600</u>
TOTAL SOURCE OF FUNDS	30,600	30,600	30,600	280,600
EXPENDITURES BY CLASS				
Personnel Cost	21,600	21,600	21,600	21,600
Operating Expenses	9,000	9,000	9,000	9,000
Grants, Loans or Benefits				250,000
TOTAL EXPENDITURES	<u>30,600</u>	<u>30,600</u>	<u>30,600</u>	<u>280,600</u>
EXPENDITURES BY FUND SOURCE				
General Fund	30,600	30,600	30,600	280,600
TOTAL EXPENDITURES	<u>30,600</u>	<u>30,600</u>	<u>30,600</u>	<u>280,600</u>

The Associate Commissioner of the Office of Supportive Learning Environments reports to the Deputy Commissioner of Learning and Results Services and provides support and leadership to the following divisions: Educator Recruitment and Retention; Equity; and Student, Family and Community Support Services.

**Department of Education
Learning and Results Services
Supportive Learning Environments
Educator Recruitment and Retention**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,969,700	2,009,800	1,574,800	2,273,900
Total General Fund	<u>1,969,700</u>	<u>2,009,800</u>	<u>1,574,800</u>	<u>2,273,900</u>
TOTAL SOURCE OF FUNDS	1,969,700	2,009,800	1,574,800	2,273,900
EXPENDITURES BY CLASS				
Personnel Cost	587,900	628,000	528,700	541,100
Operating Expenses	46,100	46,100	46,100	46,100
Grants, Loans or Benefits	1,335,700	1,335,700	1,000,000	1,686,700
TOTAL EXPENDITURES	<u>1,969,700</u>	<u>2,009,800</u>	<u>1,574,800</u>	<u>2,273,900</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,969,700	2,009,800	1,574,800	2,273,900
TOTAL EXPENDITURES	<u>1,969,700</u>	<u>2,009,800</u>	<u>1,574,800</u>	<u>2,273,900</u>

The Division of Educator Recruitment and Retention administers and funds programs to increase the percentage of minority educators in the Commonwealth as well as to help retain existing minority educators. One component of this effort is the Minority Educator Recruitment and Retention Scholarship program. The Division also works to identify and recruit qualified candidates for the Administrative Leadership Institute, which trains minority administrators.

Policy

The Division of Educator Recruitment and Retention is absorbing functions of the Statewide Teacher Recruitment program formerly located within the Learning and Results Services Deputy Commissioner's Office. This program currently targets middle and high school students, school paraprofessionals, and skilled professionals interested in teaching as a second career.

The Budget of the Commonwealth provides increased General Fund support of approximately \$100,000 for the Statewide Teacher Recruitment program in fiscal year 2006 compared to both fiscal year 2004 and fiscal year 2005.

**Department of Education
Learning and Results Services
Supportive Learning Environments**

	Equity			
	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	461,600	483,100	356,800	363,400
Total General Fund	461,600	483,100	356,800	363,400
Restricted Funds				
Current Receipts	5,000	5,000	5,000	5,000
Total Restricted Funds	5,000	5,000	5,000	5,000
TOTAL SOURCE OF FUNDS	466,600	488,100	361,800	368,400
EXPENDITURES BY CLASS				
Personnel Cost	350,300	371,800	316,300	322,900
Operating Expenses	45,500	45,500	45,500	45,500
Grants, Loans or Benefits	70,800	70,800		
TOTAL EXPENDITURES	466,600	488,100	361,800	368,400
EXPENDITURES BY FUND SOURCE				
General Fund	461,600	483,100	356,800	363,400
Restricted Funds	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	466,600	488,100	361,800	368,400

The mission of the Division of Equity is to provide technical assistance, leadership, advocacy, professional development, and multicultural education to meet the diverse needs of Kentucky schools and communities. The Division of Equity is responsible for the implementation of the Education Equity Plan which affects eight distinct areas of learning and communities; maintaining the Equitable Schools Institute; the Martin Luther King Project; the technical assistance for Title IX and gender fair instruction; maintenance of a resource center as well as a virtual museum and web site. The Division also assists schools and districts in use of the Equity Analysis Performance Standards, a tool designed to assess equity based on such indicators as dropout rates, attendance, achievement gaps between subgroups of students, and discipline incidents.

**Department of Education
Learning and Results Services
Supportive Learning Environments
Student, Family and Community Support Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	55,898,900	55,987,000	53,661,000	55,013,600
Total General Fund	55,898,900	55,987,000	53,661,000	55,013,600
Restricted Funds				
Current Receipts	370,000	370,000	370,000	370,000
Fund Transfers			-102,200	
Total Restricted Funds	370,000	370,000	267,800	370,000
Federal Funds				
Current Receipts	10,304,400	10,309,700	10,304,400	10,309,700
Total Federal Funds	10,304,400	10,309,700	10,304,400	10,309,700
TOTAL SOURCE OF FUNDS	66,573,300	66,666,700	64,233,200	65,693,300
EXPENDITURES BY CLASS				
Personnel Cost	920,300	1,013,700	893,000	708,100
Operating Expenses	542,800	542,800	395,600	359,500
Grants, Loans or Benefits	65,110,200	65,110,200	62,944,600	64,625,700
TOTAL EXPENDITURES	66,573,300	66,666,700	64,233,200	65,693,300
EXPENDITURES BY FUND SOURCE				
General Fund	55,898,900	55,987,000	53,661,000	55,013,600
Restricted Funds	370,000	370,000	267,800	370,000
Federal Funds	10,304,400	10,309,700	10,304,400	10,309,700
TOTAL EXPENDITURES	66,573,300	66,666,700	64,233,200	65,693,300
EXPENDITURES BY UNIT				
Program Support	925,500	965,500	844,400	623,900
Dropout Prevention	808,100	808,100	782,800	782,800
Family Resource and Youth Services Centers	51,844,500	51,847,300	50,235,300	51,910,600
Community Education	10,750,000	10,750,000	10,800,000	10,800,000
Jobs for America's Graduates	2,125,100	2,135,700	1,570,700	1,576,000
Child Assault Prevention	94,000	94,000		
TOTAL EXPENDITURES	66,547,200	66,600,600	64,233,200	65,693,300

The Division of Student, Family and Community Support Services administers state and federal programs that remove barriers to student learning. Programs within the Division include: Dropout Prevention; Family Resource and Youth Services Centers; and Jobs for Kentucky's Graduates. The Division also has responsibility for the federal Safe and Drug Free Schools and Communities (Title IV) program, the federal America Reads program, and other programs such as No Pass/No Drive.

Policy

The Budget of the Commonwealth increases funding for the Family Resource and Youth Services program by \$1,675,600 to \$51,850,700 in FY 2006.

**Department of Education
Learning and Results Services
Assessment and Accountability**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	19,616,200	19,685,400	9,497,800	9,508,500
Total General Fund	19,616,200	19,685,400	9,497,800	9,508,500
Federal Funds				
Current Receipts	6,000,000	6,000,000	6,000,000	6,000,000
Total Federal Funds	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL SOURCE OF FUNDS	25,616,200	25,685,400	15,497,800	15,508,500
EXPENDITURES BY CLASS				
Personnel Cost	8,869,400	8,938,600	8,759,100	8,781,300
Operating Expenses	489,300	489,300	489,300	477,800
Grants, Loans or Benefits	16,257,500	16,257,500	6,249,400	6,249,400
TOTAL EXPENDITURES	25,616,200	25,685,400	15,497,800	15,508,500
EXPENDITURES BY FUND SOURCE				
General Fund	19,616,200	19,685,400	9,497,800	9,508,500
Federal Funds	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL EXPENDITURES	25,616,200	25,685,400	15,497,800	15,508,500
EXPENDITURES BY UNIT				
Associate Commissioner	437,000	463,700	393,300	398,400
Assessment Implementation	7,135,900	7,168,800	7,085,200	7,090,800
Validation and Research	18,043,300	18,052,900	8,019,300	8,019,300
TOTAL EXPENDITURES	25,616,200	25,685,400	15,497,800	15,508,500

The Office of Assessment and Accountability is responsible for developing and implementing the Commonwealth Accountability Testing System (CATS) established in KRS 158.645. The test is the primary means of gauging progress by schools and districts toward the goal of proficiency by 2014 based on standards established by the Kentucky Board of Education. The Office consists of the Division of Assessment Implementation and the Division of Validation and Research.

**Department of Education
Learning and Results Services
Assessment and Accountability
Associate Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	437,000	463,700	393,300	398,400
Total General Fund	<u>437,000</u>	<u>463,700</u>	<u>393,300</u>	<u>398,400</u>
TOTAL SOURCE OF FUNDS	437,000	463,700	393,300	398,400
EXPENDITURES BY CLASS				
Personnel Cost	415,100	441,800	371,400	381,400
Operating Expenses	21,900	21,900	21,900	17,000
TOTAL EXPENDITURES	<u>437,000</u>	<u>463,700</u>	<u>393,300</u>	<u>398,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	437,000	463,700	393,300	398,400
TOTAL EXPENDITURES	<u>437,000</u>	<u>463,700</u>	<u>393,300</u>	<u>398,400</u>

The Associate Commissioner is responsible for monitoring the work of the Division of Assessment Implementation and the Division of Validation and Research and reports to the Deputy Commissioner for Learning Support Services.

**Department of Education
Learning and Results Services
Assessment and Accountability
Assessment Implementation**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,135,900	7,168,800	7,085,200	7,090,800
Total General Fund	<u>7,135,900</u>	<u>7,168,800</u>	<u>7,085,200</u>	<u>7,090,800</u>
TOTAL SOURCE OF FUNDS	7,135,900	7,168,800	7,085,200	7,090,800
EXPENDITURES BY CLASS				
Personnel Cost	7,100,900	7,133,800	7,050,200	7,062,400
Operating Expenses	35,000	35,000	35,000	28,400
TOTAL EXPENDITURES	<u>7,135,900</u>	<u>7,168,800</u>	<u>7,085,200</u>	<u>7,090,800</u>
EXPENDITURES BY FUND SOURCE				
General Fund	7,135,900	7,168,800	7,085,200	7,090,800
TOTAL EXPENDITURES	<u>7,135,900</u>	<u>7,168,800</u>	<u>7,085,200</u>	<u>7,090,800</u>
EXPENDITURES BY UNIT				
Assessment Implementation	567,200	600,100	516,500	522,100
Commonwealth Accountability Testing System(CATS)	6,568,700	6,568,700	6,568,700	6,568,700
TOTAL EXPENDITURES	<u>7,135,900</u>	<u>7,168,800</u>	<u>7,085,200</u>	<u>7,090,800</u>

The Division of Assessment Implementation operates the Commonwealth Accountability Testing System (CATS) and coordinates the logistics of the assessment program at the district level. This involves managing and generating data necessary to report assessment results on which accountability performance judgments must be based. The Division determines procedures for administering the test. It distributes the test materials to local districts and collects them for grading. The Division also helps district administrators make effective use of the assessment results.

**Department of Education
Learning and Results Services
Assessment and Accountability
Validation and Research**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,043,300	12,052,900	2,019,300	2,019,300
Total General Fund	12,043,300	12,052,900	2,019,300	2,019,300
Federal Funds				
Current Receipts	6,000,000	6,000,000	6,000,000	6,000,000
Total Federal Funds	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL SOURCE OF FUNDS	18,043,300	18,052,900	8,019,300	8,019,300
EXPENDITURES BY CLASS				
Personnel Cost	1,353,400	1,363,000	1,337,500	1,337,500
Operating Expenses	432,400	432,400	432,400	432,400
Grants, Loans or Benefits	16,257,500	16,257,500	6,249,400	6,249,400
TOTAL EXPENDITURES	18,043,300	18,052,900	8,019,300	8,019,300
EXPENDITURES BY FUND SOURCE				
General Fund	12,043,300	12,052,900	2,019,300	2,019,300
Federal Funds	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL EXPENDITURES	18,043,300	18,052,900	8,019,300	8,019,300
EXPENDITURES BY UNIT				
Validation and Research	242,800	252,400	226,900	226,900
Longitudinal Assessment	850,000	850,000	850,000	850,000
Assessment Documentation	300,000	300,000	300,000	300,000
Alternate Portfolio	257,500	257,500	249,400	249,400
Report Cards	393,000	393,000	393,000	393,000
School Rewards	10,000,000	10,000,000		
State Assessment	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL EXPENDITURES	18,043,300	18,052,900	8,019,300	8,019,300

The purpose of the Division of Validation and Research is to gather information to establish the validity of the Commonwealth Assessment and Testing Program (CATS). Validation studies include:

- The consistency of student results across multiple measures.
- The potential for all scores to yield fair, consistent, and accurate student performance level and school accountability decisions.

The Division also reviews the accuracy of scores assigned to students and schools as well as accuracy of the testing materials.

Policy

Funding for the School Rewards program was suspended by the 2003 Regular Session of the General Assembly effective as of fiscal year 2004. The Budget of the Commonwealth includes no funding for School Rewards during the 2004-06 biennium.

**Department of Education
Learning and Results Services
Academic and Professional Development**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	120,751,900	142,622,500	89,946,200	116,888,100
Continuing Appropriation			717,700	
Total General Fund	120,751,900	142,622,500	90,663,900	116,888,100
Tobacco Settlement-Phase I				
Tobacco Settlement - I	2,095,600	2,108,400	1,888,400	1,888,400
Total Tobacco Settlement-Phase I	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds				
Current Receipts	150,000	150,000	150,000	150,000
Total Restricted Funds	150,000	150,000	150,000	150,000
Federal Funds				
Current Receipts	29,794,100	29,800,900	29,794,100	29,800,900
Total Federal Funds	29,794,100	29,800,900	29,794,100	29,800,900
TOTAL SOURCE OF FUNDS	152,791,600	174,681,800	122,496,400	148,727,400
EXPENDITURES BY CLASS				
Personnel Cost	4,720,100	4,910,300	3,438,900	3,489,300
Operating Expenses	1,734,600	1,734,600	702,900	679,400
Grants, Loans or Benefits	146,336,900	168,036,900	118,354,600	144,558,700
TOTAL EXPENDITURES	152,791,600	174,681,800	122,496,400	148,727,400
EXPENDITURES BY FUND SOURCE				
General Fund	120,751,900	142,622,500	90,663,900	116,888,100
Tobacco Settlement-Phase I	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds	150,000	150,000	150,000	150,000
Federal Funds	29,794,100	29,800,900	29,794,100	29,800,900
TOTAL EXPENDITURES	152,791,600	174,681,800	122,496,400	148,727,400
EXPENDITURES BY UNIT				
Associate Commissioner	458,500	484,400	415,100	424,000
Elementary Arts & Humanities	500,000	500,000		484,400
Leadership and Mentoring Fund	393,800	393,800		381,500
Teacher Academies	1,653,800	1,653,800	1,600,000	1,600,000
Reading First	13,700,000	13,700,000	13,700,000	13,700,000
Curriculum Development	10,641,700	10,722,200	9,329,600	13,957,100
Professional Growth Fund	984,400	984,400	717,700	3,925,300
Extended Learning Services	121,919,300	143,677,100	94,293,500	111,822,900
Early Childhood Development	2,540,100	2,566,100	2,440,500	2,432,200
TOTAL EXPENDITURES	152,791,600	174,681,800	122,496,400	148,727,400

The Office of Academic and Professional Development coordinates the programs, projects, and activities of the Division of Curriculum and the Division of Extended Learning. This office is also responsible for development of items for the Kentucky Core Content Test, and providing curriculum materials to local educators as they develop teaching plans and implement the Kentucky Core Content Test.

**Department of Education
Learning and Results Services
Academic and Professional Development
Associate Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	458,500	484,400	415,100	424,000
Total General Fund	<u>458,500</u>	<u>484,400</u>	<u>415,100</u>	<u>424,000</u>
TOTAL SOURCE OF FUNDS	458,500	484,400	415,100	424,000
EXPENDITURES BY CLASS				
Personnel Cost	442,300	468,200	398,900	407,800
Operating Expenses	16,200	16,200	16,200	16,200
TOTAL EXPENDITURES	<u>458,500</u>	<u>484,400</u>	<u>415,100</u>	<u>424,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	458,500	484,400	415,100	424,000
TOTAL EXPENDITURES	<u>458,500</u>	<u>484,400</u>	<u>415,100</u>	<u>424,000</u>

The Office of Academic and Professional Development coordinates the programs, projects, and activities of the Division of Curriculum and the Division of Extended Learning. The Associate Commissioner oversees and provides leadership to many of the programs critical to schools' ability to reach proficiency by 2014.

**Department of Education
Learning and Results Services
Academic and Professional Development
Elementary Arts & Humanities**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	500,000	500,000		484,400
Total General Fund	<u>500,000</u>	<u>500,000</u>		<u>484,400</u>
TOTAL SOURCE OF FUNDS	500,000	500,000		484,400
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	500,000	500,000		484,400
TOTAL EXPENDITURES	<u>500,000</u>	<u>500,000</u>		<u>484,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	500,000	500,000		484,400
TOTAL EXPENDITURES	<u>500,000</u>	<u>500,000</u>		<u>484,400</u>

The 2003 Regular Session of the General Assembly instituted a program promoting integration of the arts and foreign languages as a means of strengthening the overall learning environment in the elementary school program.

Policy

The Budget of the Commonwealth includes no funding for the Elementary Arts and Humanities program in fiscal year 2005; however, \$484,400 is appropriated for this program in fiscal year 2006.

**Department of Education
Learning and Results Services
Academic and Professional Development
Leadership and Mentoring Fund**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	393,800	393,800		381,500
Total General Fund	<u>393,800</u>	<u>393,800</u>		<u>381,500</u>
TOTAL SOURCE OF FUNDS	393,800	393,800		381,500
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	393,800	393,800		381,500
TOTAL EXPENDITURES	<u>393,800</u>	<u>393,800</u>		<u>381,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	393,800	393,800		381,500
TOTAL EXPENDITURES	<u>393,800</u>	<u>393,800</u>		<u>381,500</u>

Under the provisions of KRS 157.390, the Professional Development Leadership and Mentor Fund provides competitive grants to pay teachers and administrators to develop and implement an action plan for improving the reading performance of students in the middle and high school grades.

Policy

The Budget of the Commonwealth provides no funding for the Professional Development Leadership and Mentor Fund in fiscal year 2005. Funding is restored to \$381,500 in fiscal year 2006.

**Department of Education
Learning and Results Services
Academic and Professional Development
Teacher Academies**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,653,800	1,653,800	1,600,000	1,600,000
Total General Fund	<u>1,653,800</u>	<u>1,653,800</u>	<u>1,600,000</u>	<u>1,600,000</u>
TOTAL SOURCE OF FUNDS	1,653,800	1,653,800	1,600,000	1,600,000
EXPENDITURES BY CLASS				
Personnel Cost	551,300	551,300	65,000	65,000
Operating Expenses	551,200	551,200	64,900	64,900
Grants, Loans or Benefits	551,300	551,300	1,470,100	1,470,100
TOTAL EXPENDITURES	<u>1,653,800</u>	<u>1,653,800</u>	<u>1,600,000</u>	<u>1,600,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,653,800	1,653,800	1,600,000	1,600,000
TOTAL EXPENDITURES	<u>1,653,800</u>	<u>1,653,800</u>	<u>1,600,000</u>	<u>1,600,000</u>

Teacher Academies were established in 1999 to provide intensive, content-based professional development to teachers, particularly teachers who are teaching core discipline courses for which they do not have a college major or minor. Academies are operated in collaboration with postsecondary and community educational partners. The academy experience includes a pre-academy day in which teachers identify topics of study, the five-day academy, and two follow-up days during the school year. Participants are expected to commit to three years of participation. Middle grades academies for reading, science, social studies, and mathematics have been held in each region of the state. Practical living/vocational studies and arts and humanities academies have also been held.

**Department of Education
Learning and Results Services
Academic and Professional Development
Reading First**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
Federal Funds				
Current Receipts	13,700,000	13,700,000	13,700,000	13,700,000
Total Federal Funds	13,700,000	13,700,000	13,700,000	13,700,000
TOTAL SOURCE OF FUNDS	13,700,000	13,700,000	13,700,000	13,700,000
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	13,700,000	13,700,000	13,700,000	13,700,000
TOTAL EXPENDITURES	13,700,000	13,700,000	13,700,000	13,700,000
EXPENDITURES BY FUND SOURCE				
Federal Funds	13,700,000	13,700,000	13,700,000	13,700,000
TOTAL EXPENDITURES	13,700,000	13,700,000	13,700,000	13,700,000

Reading First is a federal initiative contained within the No Child Left Behind Act. The program's goal is to have every child reading at grade level by the time of entry to the fourth grade. In April 2003, Kentucky was awarded a six-year grant of approximately \$89 million.

The Department of Education is overseeing implementation of Kentucky's Reading First grant. Ten Reading First coaches have assisted the department through a partnership with Kentucky's public universities and the Collaborative Center for Literacy Development. Local schools and school districts have been provided technical assistance on the requirements of Reading First and information about research-based reading intervention programs, assessments to diagnose reading progress, and professional development. Districts have submitted proposals for funding to an expert review panel; it is anticipated that 70 schools will receive funding. Continued funding for the second through sixth years of the program are contingent upon demonstration of reading progress within the funded schools.

**Department of Education
Learning and Results Services
Academic and Professional Development
Curriculum Development**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,641,700	10,722,200	9,329,600	13,957,100
Total General Fund	10,641,700	10,722,200	9,329,600	13,957,100
TOTAL SOURCE OF FUNDS	10,641,700	10,722,200	9,329,600	13,957,100
EXPENDITURES BY CLASS				
Personnel Cost	1,692,400	1,772,900	1,623,200	1,643,200
Operating Expenses	340,100	340,100	274,600	274,600
Grants, Loans or Benefits	8,609,200	8,609,200	7,431,800	12,039,300
TOTAL EXPENDITURES	10,641,700	10,722,200	9,329,600	13,957,100
EXPENDITURES BY FUND SOURCE				
General Fund	10,641,700	10,722,200	9,329,600	13,957,100
TOTAL EXPENDITURES	10,641,700	10,722,200	9,329,600	13,957,100
EXPENDITURES BY UNIT				
Curriculum Development	1,849,900	1,930,400	1,784,000	1,804,000
Gifted and Talented	7,351,500	7,351,500	7,109,400	7,121,500
Gifted and Talented Advisory Council	51,200	51,200	48,700	48,700
Middle School Demonstration Network	270,700	270,700		
Center for Middle School Academic Achievement	400,000	400,000		387,500
Commonwealth Institute for Teachers	88,400	88,400	85,100	85,100
Writing Program	630,000	630,000	302,400	610,300
TOTAL EXPENDITURES	10,641,700	10,722,200	9,329,600	10,057,100

The Kentucky Education Reform Act of 1990 directed development of a curriculum framework by the Department of Education to assist educators in the moving toward the learning goals established by the act. Since that time, the Division of Curriculum Development has participated in developing all major documents used by teachers and schools in organizing their curricula. The division has recently shifted emphasis from document creation and refinement toward providing technical assistance resources and professional development to schools and districts to improve student achievement by utilization of research-based instructional practices.

The Division of Curriculum Development consists of the Humanities, Sciences, and Learning Strategies branches. The latter branch includes consultants focusing on applied learning for exceptional children, gifted and talented student services, advanced placement, and services for limited English proficient students.

The Division of Curriculum Development has developed resources in support of the goals of the No Child Left Behind Act, particularly in the areas of reading and mathematics achievement in grades three through eight. The division also contains staff with responsibility for Reading First, the K-3 cornerstone of No Child Left Behind.

**Department of Education
Learning and Results Services
Academic and Professional Development
Professional Growth Fund**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	984,400	984,400		3,925,300
Continuing Appropriation			717,700	
Total General Fund	984,400	984,400	717,700	3,925,300
TOTAL SOURCE OF FUNDS	984,400	984,400	717,700	3,925,300
EXPENDITURES BY CLASS				
Personnel Cost	553,800	553,800		
Operating Expenses	430,600	430,600		
Grants, Loans or Benefits			717,700	3,925,300
TOTAL EXPENDITURES	984,400	984,400	717,700	3,925,300
EXPENDITURES BY FUND SOURCE				
General Fund	984,400	984,400	717,700	3,925,300
TOTAL EXPENDITURES	984,400	984,400	717,700	3,925,300

The Teachers' Professional Growth Fund provides teachers with high quality professional development in content knowledge and teaching methodologies in the core disciplines of mathematics, science, language arts and social studies.

Policy

The Budget of the Commonwealth provides no funding in fiscal year 2005 for the Professional Growth Fund. Funding is restored and increased by \$3 million to a total of \$3,925,000 in fiscal year 2006.

**Department of Education
Learning and Results Services
Academic and Professional Development
Extended Learning Services**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	106,003,400	127,761,200	78,377,600	95,907,000
Total General Fund	<u>106,003,400</u>	<u>127,761,200</u>	<u>78,377,600</u>	<u>95,907,000</u>
Federal Funds				
Current Receipts	15,915,900	15,915,900	15,915,900	15,915,900
Total Federal Funds	<u>15,915,900</u>	<u>15,915,900</u>	<u>15,915,900</u>	<u>15,915,900</u>
TOTAL SOURCE OF FUNDS	<u>121,919,300</u>	<u>143,677,100</u>	<u>94,293,500</u>	<u>111,822,900</u>
EXPENDITURES BY CLASS				
Personnel Cost	992,200	1,050,000	882,200	897,000
Operating Expenses	158,100	158,100	157,200	148,700
Grants, Loans or Benefits	120,769,000	142,469,000	93,254,100	110,777,200
TOTAL EXPENDITURES	<u>121,919,300</u>	<u>143,677,100</u>	<u>94,293,500</u>	<u>111,822,900</u>
EXPENDITURES BY FUND SOURCE				
General Fund	106,003,400	127,761,200	78,377,600	95,907,000
Federal Funds	15,915,900	15,915,900	15,915,900	15,915,900
TOTAL EXPENDITURES	<u>121,919,300</u>	<u>143,677,100</u>	<u>94,293,500</u>	<u>111,822,900</u>
EXPENDITURES BY UNIT				
Extended Learning Services	33,340,000	33,363,000	18,745,500	32,268,600
Early Childhood Education	79,539,100	101,273,900	63,107,800	63,114,100
Evenstart	3,340,200	3,340,200	3,340,200	3,340,200
Bilingual Education	1,500,000	1,500,000	1,500,000	1,500,000
Early Reading Incentive	4,200,000	4,200,000	7,100,000	11,100,000
Every 1 Reads			500,000	500,000
TOTAL EXPENDITURES	<u>121,919,300</u>	<u>143,677,100</u>	<u>94,293,500</u>	<u>111,822,900</u>

The Kentucky Education Reform Act of 1990, via KRS 158.070, established Extended School Services (ESS) for struggling learners who need additional instructional time and assistance to achieve their learning goals. The program offers instructional time outside regular school hours and takes many forms, including after-school and before-school instruction, evening sessions, Saturday learning activities, summer programs and intersessions in year-round schools. After-school programs and summer programs are the most popular schedules provided by the schools.

The ESS program serves K-12 students in all 176 school districts and approximately 1,300 public schools. Students are referred for a wide range of subjects including reading, mathematics (basic, algebra, calculus, and geometry), science, social studies, vocational/practical living, arts and humanities, writing and language arts. Many students receive ESS assistance in more than one subject area. The majority of students are referred to ESS for reading, mathematics, writing and science.

The Kentucky Education Reform Act also established a comprehensive preschool program for two groups of children: four-year-old children whose families meet free lunch income guidelines and three and four year old children with developmental delays or other disabilities. School districts must assure that services are available for these children through a program operated by the district or by contract or collaborative agreement with another agency. Services include: a developmentally appropriate half-day preschool class; transportation; complementary parent education; nutrition; health and developmental screening; and coordination of health and social services.

Policy

The Budget of the Commonwealth continues to include Extended School Services and the Early Childhood/Preschool program as two of five Flexible Focus Funds programs modified to permit local districts discretion in the distribution of program funds, while still addressing the governing statutes and serving the needs of the target population.

The Budget of the Commonwealth reduces funding for the Extended School Services program by \$13,523,100 to \$18,336,400 in fiscal year 2005. In fiscal year 2006, funding is restored to the previous \$31,859,500 level.

The enacted budget increases funding for the Preschool program by \$6,800,000 to \$51,625,400 in fiscal year 2005 and maintains that funding level in fiscal year 2006.

The Budget of the Commonwealth also includes new General Fund support in the amount of \$3,086,900 in fiscal year 2005 and \$7,086,900 in fiscal year 2006 for the Read to Achieve program. These Read to Achieve funds, in combination with existing Early Reading Incentive Grant General Fund monies as well as Reading First grants, will strengthen Kentucky's capacity to have all students reading at grade level or above by the time they enter fourth grade. The Read to Achieve approach will provide schools with flexibility in the choice of proven research-based reading programs. Early assessment of students' reading levels will be utilized along with early intervention for struggling readers. Teachers will receive training in research-based strategies to better teach each child to read.

**Department of Education
Learning and Results Services
Academic and Professional Development
Early Childhood Development**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	116,300	122,700	223,900	208,800
Total General Fund	116,300	122,700	223,900	208,800
Tobacco Settlement-Phase I				
Tobacco Settlement - I	2,095,600	2,108,400	1,888,400	1,888,400
Total Tobacco Settlement-Phase I	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds				
Current Receipts	150,000	150,000	150,000	150,000
Total Restricted Funds	150,000	150,000	150,000	150,000
Federal Funds				
Current Receipts	178,200	185,000	178,200	185,000
Total Federal Funds	178,200	185,000	178,200	185,000
TOTAL SOURCE OF FUNDS	2,540,100	2,566,100	2,440,500	2,432,200
EXPENDITURES BY CLASS				
Personnel Cost	488,100	514,100	469,600	476,300
Operating Expenses	238,400	238,400	190,000	175,000
Grants, Loans or Benefits	1,813,600	1,813,600	1,780,900	1,780,900
TOTAL EXPENDITURES	2,540,100	2,566,100	2,440,500	2,432,200
EXPENDITURES BY FUND SOURCE				
General Fund	116,300	122,700	223,900	208,800
Tobacco Settlement-Phase I	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds	150,000	150,000	150,000	150,000
Federal Funds	178,200	185,000	178,200	185,000
TOTAL EXPENDITURES	2,540,100	2,566,100	2,440,500	2,432,200

The 2000 Regular Session of the General Assembly established the Office of Early Childhood Development within the Office of the Governor. In July 2003, Executive Order 03-712 reconstituted this entity as the Division of Early Childhood Education within the Department of Education.

The Division of Early Childhood Development coordinates development and continuing activities of Community Early Childhood Councils. The councils work toward implementation of the Kentucky's long-range strategic plan for early childhood development on the local level. The councils build upon existing resources, foster public-private partnerships and otherwise work within their communities toward such goals as the availability of high quality, accessible and affordable early childhood care and education options. The Early Childhood Division provides technical assistance, monitoring and evaluation of outcomes of the local partnerships and link funding to their effectiveness.

Working with other stakeholders, the Division of Early Childhood Development has assisted in implementing a number of programs within agencies across state government aimed at the needs of young children. Some of the results include more than 1,000 early childhood professionals attending college as well as more than 10,000 families participating in the HANDS voluntary home visiting program leading to the delivery of fewer low birth weight babies.

**Department of Education
Learning and Results Services
District Support Services**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	411,355,900	480,030,100	415,571,200	525,069,900
Total General Fund	411,355,900	480,030,100	415,571,200	525,069,900
Restricted Funds				
Current Receipts	110,000	110,000	110,000	110,000
Total Restricted Funds	110,000	110,000	110,000	110,000
Federal Funds				
Current Receipts	168,449,600	168,522,900	168,449,600	168,522,900
Total Federal Funds	168,449,600	168,522,900	168,449,600	168,522,900
TOTAL SOURCE OF FUNDS	579,915,500	648,663,000	584,130,800	693,702,800
EXPENDITURES BY CLASS				
Personnel Cost	4,039,400	4,297,600	25,416,400	25,471,400
Operating Expenses	697,300	697,300	689,700	652,800
Grants, Loans or Benefits	575,178,800	643,668,100	558,024,700	667,578,600
TOTAL EXPENDITURES	579,915,500	648,663,000	584,130,800	693,702,800
EXPENDITURES BY FUND SOURCE				
General Fund	411,355,900	480,030,100	415,571,200	525,069,900
Restricted Funds	110,000	110,000	110,000	110,000
Federal Funds	168,449,600	168,522,900	168,449,600	168,522,900
TOTAL EXPENDITURES	579,915,500	648,663,000	584,130,800	693,702,800
EXPENDITURES BY UNIT				
Associate Commissioner	538,900	562,000	380,800	386,500
School Finance	394,401,500	462,977,000	399,966,700	508,891,200
Facilities Management	8,882,500	8,910,900	8,838,400	8,842,800
Pupil Transportation	1,432,000	1,458,800	1,325,500	1,325,500
Safe Schools	10,455,400	10,455,400	9,564,200	10,128,300
Schools and Community Nutrition	164,205,200	164,298,900	164,055,200	164,128,500
TOTAL EXPENDITURES	579,915,500	648,663,000	584,130,800	693,702,800

The Office of District Support Services provides administrative and technical assistance on behalf of local school districts throughout the state and consists of the following divisions and functions: Finance; Facilities Management; Pupil Transportation; Safe Schools; and School and Community Nutrition.

**Department of Education
Learning and Results Services
District Support Services
Associate Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	538,900	562,000	380,800	386,500
Total General Fund	<u>538,900</u>	<u>562,000</u>	<u>380,800</u>	<u>386,500</u>
TOTAL SOURCE OF FUNDS	<u>538,900</u>	<u>562,000</u>	<u>380,800</u>	<u>386,500</u>
EXPENDITURES BY CLASS				
Personnel Cost	395,800	418,900	355,800	361,500
Operating Expenses	25,000	25,000	25,000	25,000
Grants, Loans or Benefits	118,100	118,100		
TOTAL EXPENDITURES	<u>538,900</u>	<u>562,000</u>	<u>380,800</u>	<u>386,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	538,900	562,000	380,800	386,500
TOTAL EXPENDITURES	<u>538,900</u>	<u>562,000</u>	<u>380,800</u>	<u>386,500</u>
EXPENDITURES BY UNIT				
Associate Commissioner	420,800	443,900	380,800	386,500
Direct Instruction Literacy Project	118,100	118,100		
TOTAL EXPENDITURES	<u>538,900</u>	<u>562,000</u>	<u>380,800</u>	<u>386,500</u>

The Associate Commissioner for District Support Services reports to the Commissioner of Education through the Deputy Commissioner for Learning Results Services. The Associate Commissioner is responsible for directing the work of the following divisions and functions: Finance; Facilities Management; Pupil Transportation; Safe Schools; and School and Community Nutrition.

**Department of Education
Learning and Results Services
District Support Services
School Finance**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	394,401,500	462,977,000	399,966,700	508,891,200
Total General Fund	394,401,500	462,977,000	399,966,700	508,891,200
TOTAL SOURCE OF FUNDS	394,401,500	462,977,000	399,966,700	508,891,200
EXPENDITURES BY CLASS				
Personnel Cost	1,309,500	1,395,700	22,881,400	22,911,100
Operating Expenses	84,900	84,900	84,900	63,200
Grants, Loans or Benefits	393,007,100	461,496,400	377,000,400	485,916,900
TOTAL EXPENDITURES	394,401,500	462,977,000	399,966,700	508,891,200
EXPENDITURES BY FUND SOURCE				
General Fund	394,401,500	462,977,000	399,966,700	508,891,200
TOTAL EXPENDITURES	394,401,500	462,977,000	399,966,700	508,891,200
EXPENDITURES BY UNIT				
School Finance	1,394,400	1,480,600	1,266,200	1,274,200
Education of State Agency Children	11,340,000	11,340,000	9,415,800	10,462,100
District Audits	1,404,300	1,446,400		
Textbooks	21,700,100	21,700,100	21,700,100	21,700,100
Local District Life Insurance	3,914,000	3,914,000	3,914,000	3,914,000
Local District Health Insurance	354,648,700	423,095,900	363,670,600	471,540,800
TOTAL EXPENDITURES	394,401,500	462,977,000	399,966,700	508,891,200

The Division of Finance's objectives include: the provision of technical assistance to 176 local school districts on matters of budgeting, accounting, reporting and composing salary schedules; distribution of state SEEK funds to local districts; providing guidance in planning the financing of local school building construction and providing other financial management and accounting assistance.

The Division of Finance has responsibility for providing qualified and participating local school district employees with health and life insurance coverage.

Policy

The Budget of the Commonwealth reduces General Fund support for the Education of State Agency Children program by \$1,046,300 to \$9,415,800 in fiscal year 2005. Funding is restored in fiscal year 2006 to its previous level of \$10,462,100. This program provides funds to defray the costs of educating students placed through the courts or appropriate state agencies in treatment programs outside the school district where their parents or guardians reside.

The enacted budget includes no funding for the state's participation in the cost of annual audits of local school districts.

The Budget of the Commonwealth includes \$21,700,100 in General Funds each year of the 2004-2006 biennium to resume the Textbook program. This program is one of five "Flexible Focus Funding" programs that provide local school districts flexibility in the distribution of program funds while still addressing the governing statutes and serving the needs of the target population.

The enacted budget includes General Funds in the amount of \$3,914,000 in both fiscal year 2005 and fiscal year 2006 to provide life insurance coverage for local school district employees.

The Budget of the Commonwealth includes General Fund support in the amounts of \$363,670,600 in fiscal year 2005 and \$471,540,800 in fiscal year 2006 to assist in providing health insurance coverage to local school district employees. These amounts include the additional monies approved by the October 2004 Extraordinary Session of the General Assembly to continue the health insurance program for local school district employees as well as state workers with the same level of coverage as has historically been provided.

**Department of Education
Learning and Results Services
District Support Services
Facilities Management**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	482,500	510,900	438,400	442,800
Total General Fund	482,500	510,900	438,400	442,800
Federal Funds				
Current Receipts	8,400,000	8,400,000	8,400,000	8,400,000
Total Federal Funds	8,400,000	8,400,000	8,400,000	8,400,000
TOTAL SOURCE OF FUNDS	8,882,500	8,910,900	8,838,400	8,842,800
EXPENDITURES BY CLASS				
Personnel Cost	457,500	485,900	413,400	424,500
Operating Expenses	25,000	25,000	25,000	18,300
Grants, Loans or Benefits	8,400,000	8,400,000	8,400,000	8,400,000
TOTAL EXPENDITURES	8,882,500	8,910,900	8,838,400	8,842,800
EXPENDITURES BY FUND SOURCE				
General Fund	482,500	510,900	438,400	442,800
Federal Funds	8,400,000	8,400,000	8,400,000	8,400,000
TOTAL EXPENDITURES	8,882,500	8,910,900	8,838,400	8,842,800

The Division of Facilities Management reviews, oversees, and approves all new buildings and additions and alterations to existing public school buildings. This division also provides guidance in preparing each local district's facility plan and assists in updating and amending district plans. The Division of Facilities Management compiles information as to local school district construction needs each biennium for use by the School Facilities Construction Commission.

**Department of Education
Learning and Results Services
District Support Services
Pupil Transportation**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,322,000	1,348,800	1,215,500	1,215,500
Total General Fund	<u>1,322,000</u>	<u>1,348,800</u>	<u>1,215,500</u>	<u>1,215,500</u>
Restricted Funds				
Current Receipts	110,000	110,000	110,000	110,000
Total Restricted Funds	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>
TOTAL SOURCE OF FUNDS	<u>1,432,000</u>	<u>1,458,800</u>	<u>1,325,500</u>	<u>1,325,500</u>
EXPENDITURES BY CLASS				
Personnel Cost	419,600	446,400	374,200	382,700
Operating Expenses	142,400	142,400	134,800	126,300
Grants, Loans or Benefits	870,000	870,000	816,500	816,500
TOTAL EXPENDITURES	<u>1,432,000</u>	<u>1,458,800</u>	<u>1,325,500</u>	<u>1,325,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,322,000	1,348,800	1,215,500	1,215,500
Restricted Funds	110,000	110,000	110,000	110,000
TOTAL EXPENDITURES	<u>1,432,000</u>	<u>1,458,800</u>	<u>1,325,500</u>	<u>1,325,500</u>
EXPENDITURES BY UNIT				
Pupil Transportation	762,000	788,800	709,000	709,000
Blind and Deaf Student Transportation	670,000	670,000	616,500	616,500
TOTAL EXPENDITURES	<u>1,432,000</u>	<u>1,458,800</u>	<u>1,325,500</u>	<u>1,325,500</u>

The Division of Pupil Transportation provides technical assistance as well as regulatory and coordinating services to local school districts to facilitate the safe and efficient transporting of pupils to and from school. The Division sets forth the procedures for centralized purchasing of school buses through established price contract agreements. The Division trains instructors, bus inspectors, and drivers. Funding for trips home by students residing at the Kentucky School for the Blind and the Kentucky School for the Deaf is budgeted within this Division.

**Department of Education
Learning and Results Services
District Support Services
Safe Schools**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,455,400	10,455,400	9,564,200	10,128,300
Total General Fund	<u>10,455,400</u>	<u>10,455,400</u>	<u>9,564,200</u>	<u>10,128,300</u>
TOTAL SOURCE OF FUNDS	10,455,400	10,455,400	9,564,200	10,128,300
EXPENDITURES BY CLASS				
Operating Expenses	20,000	20,000	20,000	20,000
Grants, Loans or Benefits	10,435,400	10,435,400	9,544,200	10,108,300
TOTAL EXPENDITURES	<u>10,455,400</u>	<u>10,455,400</u>	<u>9,564,200</u>	<u>10,128,300</u>
EXPENDITURES BY FUND SOURCE				
General Fund	10,455,400	10,455,400	9,564,200	10,128,300
TOTAL EXPENDITURES	<u>10,455,400</u>	<u>10,455,400</u>	<u>9,564,200</u>	<u>10,128,300</u>

In 1998, the General Assembly, in enacting KRS 158.440-158.446, recognized that state and local resources are needed to expand capacities for research, effective programming, and program evaluation directed toward safety and discipline in Kentucky's schools. The Safe Schools program provides funding to local school districts to support substance abuse and violence reduction programming. Like initiatives at the federal level, this program seeks to prevent violence in and around schools, and supports programs that prevent the illegal use of alcohol, tobacco and drugs through a school and community-based effort.

The Center for School Safety, in collaboration with the Department of Education, distributes funds to local school districts, with an emphasis on community-based programs, intensive academic intervention programs, programs utilizing school resource officers, and training programs for certified and classified staff, students, parents, and community members.

Policy

The Budget of the Commonwealth includes General Funds in the amount of \$9,564,200 for the Safe Schools program; this represents a \$564,100 reduction from the revised FY 2004 appropriation. The enacted budget restores funding for Safe Schools to \$10,128,300 in FY 2006. The Safe Schools program is one of five "Flexible Focus Funds" programs that permit local school districts discretion in the distribution of program funds, while still addressing the governing statutes and serving the needs of the target population.

**Department of Education
Learning and Results Services
District Support Services
Schools and Community Nutrition**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,155,600	4,176,000	4,005,600	4,005,600
Total General Fund	<u>4,155,600</u>	<u>4,176,000</u>	<u>4,005,600</u>	<u>4,005,600</u>
Federal Funds				
Current Receipts	160,049,600	160,122,900	160,049,600	160,122,900
Total Federal Funds	<u>160,049,600</u>	<u>160,122,900</u>	<u>160,049,600</u>	<u>160,122,900</u>
TOTAL SOURCE OF FUNDS	<u>164,205,200</u>	<u>164,298,900</u>	<u>164,055,200</u>	<u>164,128,500</u>
EXPENDITURES BY CLASS				
Personnel Cost	1,457,000	1,550,700	1,391,600	1,391,600
Operating Expenses	400,000	400,000	400,000	400,000
Grants, Loans or Benefits	162,348,200	162,348,200	162,263,600	162,336,900
TOTAL EXPENDITURES	<u>164,205,200</u>	<u>164,298,900</u>	<u>164,055,200</u>	<u>164,128,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	4,155,600	4,176,000	4,005,600	4,005,600
Federal Funds	160,049,600	160,122,900	160,049,600	160,122,900
TOTAL EXPENDITURES	<u>164,205,200</u>	<u>164,298,900</u>	<u>164,055,200</u>	<u>164,128,500</u>

Child Nutrition Act programs in local school districts and other eligible agencies: National School Lunch Program; School Breakfast Program; Special Milk Program; Child Care Food Program; Summer Food Service Program; and the Nutrition Education and Training Program. Approximately 1,600 Kentucky schools (public and non-public) participate in one or more of these programs.

**Department of Education
Learning and Results Services
Education Technology**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	22,567,800	22,714,200	22,337,200	21,845,800
Total General Fund	22,567,800	22,714,200	22,337,200	21,845,800
Restricted Funds				
Current Receipts	75,000	75,000	75,000	75,000
Total Restricted Funds	75,000	75,000	75,000	75,000
Federal Funds				
Current Receipts	8,500,000	8,500,000	8,500,000	8,500,000
Total Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL SOURCE OF FUNDS	31,142,800	31,289,200	30,912,200	30,420,800
EXPENDITURES BY CLASS				
Personnel Cost	2,156,400	2,302,800	1,927,400	1,969,700
Operating Expenses	486,400	486,400	484,800	451,100
Grants, Loans or Benefits	28,500,000	28,500,000	28,500,000	28,000,000
TOTAL EXPENDITURES	31,142,800	31,289,200	30,912,200	30,420,800
EXPENDITURES BY FUND SOURCE				
General Fund	22,567,800	22,714,200	22,337,200	21,845,800
Restricted Funds	75,000	75,000	75,000	75,000
Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL EXPENDITURES	31,142,800	31,289,200	30,912,200	30,420,800
EXPENDITURES BY UNIT				
Associate Commissioner	8,813,500	8,834,500	8,777,900	8,781,700
School Information Technology	954,200	1,002,800	879,500	883,200
School Network Services	1,003,200	1,060,700	913,400	913,400
School Instructional Technology	371,900	391,200	341,400	342,500
Kentucky Education Technology System (KETS)	20,000,000	20,000,000	20,000,000	19,500,000
TOTAL EXPENDITURES	31,142,800	31,289,200	30,912,200	30,420,800

The Office of Education Technology is responsible for policy and budget development as well as administration and quality assurance for the Kentucky Education Technology System (KETS). This Office also maintains the Department of Education's Information Resources Plan, oversees internal Department of Education computer services, assists educators in integrating instruction and administration using KETS technology, and assists local districts and schools with their technology plans.

**Department of Education
Learning and Results Services
Education Technology
Associate Commissioner**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	313,500	334,500	277,900	281,700
Total General Fund	<u>313,500</u>	<u>334,500</u>	<u>277,900</u>	<u>281,700</u>
Federal Funds				
Current Receipts	8,500,000	8,500,000	8,500,000	8,500,000
Total Federal Funds	<u>8,500,000</u>	<u>8,500,000</u>	<u>8,500,000</u>	<u>8,500,000</u>
TOTAL SOURCE OF FUNDS	<u>8,813,500</u>	<u>8,834,500</u>	<u>8,777,900</u>	<u>8,781,700</u>
EXPENDITURES BY CLASS				
Personnel Cost	302,500	323,500	266,900	273,100
Operating Expenses	11,000	11,000	11,000	8,600
Grants, Loans or Benefits	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL EXPENDITURES	<u>8,813,500</u>	<u>8,834,500</u>	<u>8,777,900</u>	<u>8,781,700</u>
EXPENDITURES BY FUND SOURCE				
General Fund	313,500	334,500	277,900	281,700
Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL EXPENDITURES	<u>8,813,500</u>	<u>8,834,500</u>	<u>8,777,900</u>	<u>8,781,700</u>

The Associate Commissioner for Education Technology provides overall direction and coordination to the work of the School Information Technology, School Network Services and School Instructional Technology divisions. The Associate Commissioner also directs activities of the Department of Education relevant to the implementation of the Kentucky Education Technology System.

**Department of Education
Learning and Results Services
Education Technology
School Information Technology**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	879,200	927,800	804,500	808,200
Total General Fund	<u>879,200</u>	<u>927,800</u>	<u>804,500</u>	<u>808,200</u>
Restricted Funds				
Current Receipts	75,000	75,000	75,000	75,000
Total Restricted Funds	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
TOTAL SOURCE OF FUNDS	<u>954,200</u>	<u>1,002,800</u>	<u>879,500</u>	<u>883,200</u>
EXPENDITURES BY CLASS				
Personnel Cost	727,500	776,100	652,800	665,700
Operating Expenses	226,700	226,700	226,700	217,500
TOTAL EXPENDITURES	<u>954,200</u>	<u>1,002,800</u>	<u>879,500</u>	<u>883,200</u>
EXPENDITURES BY FUND SOURCE				
General Fund	879,200	927,800	804,500	808,200
Restricted Funds	75,000	75,000	75,000	75,000
TOTAL EXPENDITURES	<u>954,200</u>	<u>1,002,800</u>	<u>879,500</u>	<u>883,200</u>

By virtue of KRS 156.670, the Division of School Information Technology Services is responsible for systems design, implementation, analysis, maintenance and support for the Kentucky Education Technology System as well as for the Department of Education's information technology needs. The Division analyzes current practices and develops recommendations to reengineer the Kentucky Department of Education business processes to take advantage of information technology. This division also oversees a statewide system to facilitate evaluation of progress toward the goal of achieving proficiency (based on the CATS statewide student assessment) by 2014. The Division of School Information Technology maintains the Master Plan for Education Technology approved by the Kentucky Board of Education and oversees expenditures of Education Technology Trust Funds.

**Department of Education
Learning and Results Services
Education Technology
School Network Services**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,003,200	1,060,700	913,400	913,400
Total General Fund	<u>1,003,200</u>	<u>1,060,700</u>	<u>913,400</u>	<u>913,400</u>
TOTAL SOURCE OF FUNDS	1,003,200	1,060,700	913,400	913,400
EXPENDITURES BY CLASS				
Personnel Cost	774,500	832,000	686,300	704,300
Operating Expenses	228,700	228,700	227,100	209,100
TOTAL EXPENDITURES	<u>1,003,200</u>	<u>1,060,700</u>	<u>913,400</u>	<u>913,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,003,200	1,060,700	913,400	913,400
TOTAL EXPENDITURES	<u>1,003,200</u>	<u>1,060,700</u>	<u>913,400</u>	<u>913,400</u>

The Division of School Network Services, under provisions of KRS 156.670, is responsible for design, development and ongoing support of computing capabilities and communications systems to support the Kentucky Education Technology System (KETS) and internal Department of Education systems. The division is responsible for statewide KETS and local area network design; installation, upgrading and maintenance of KETS network components; network management for approximately 1,400 schools in 176 districts; testing and evaluation of all KETS hardware and network components; and operation of Department of Education information and office systems. The Division of School Network Services provides leadership for projects within the KETS implementation plan approved by the Legislative Research Commission and the Kentucky Board of Education including user access, network infrastructure, network applications and services, network security, and coordination of technical resources.

**Department of Education
Learning and Results Services
Education Technology
School Instructional Technology**

	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Enacted FY 2005</u>	<u>Enacted FY 2006</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	371,900	391,200	341,400	342,500
Total General Fund	<u>371,900</u>	<u>391,200</u>	<u>341,400</u>	<u>342,500</u>
TOTAL SOURCE OF FUNDS	371,900	391,200	341,400	342,500
EXPENDITURES BY CLASS				
Personnel Cost	351,900	371,200	321,400	326,600
Operating Expenses	20,000	20,000	20,000	15,900
TOTAL EXPENDITURES	<u>371,900</u>	<u>391,200</u>	<u>341,400</u>	<u>342,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	371,900	391,200	341,400	342,500
TOTAL EXPENDITURES	<u>371,900</u>	<u>391,200</u>	<u>341,400</u>	<u>342,500</u>

The Division of School Instructional Technology, under provisions of KRS 156.670, serves as primary facilitator of initiatives integrating technology into the teaching and learning process. Such initiatives include professional development, technical assistance, and development of technology standards. Technology standards for teachers and administrators have been largely integrated into the Kentucky public school system and the Division is pursuing standards for students in each academic content area.

**Department of Education
Learning and Results Services
Education Technology
Kentucky Education Technology System (KETS)**

	Requested FY 2005	Requested FY 2006	Enacted FY 2005	Enacted FY 2006
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	20,000,000	20,000,000	20,000,000	19,500,000
Total General Fund	20,000,000	20,000,000	20,000,000	19,500,000
TOTAL SOURCE OF FUNDS	20,000,000	20,000,000	20,000,000	19,500,000
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	20,000,000	20,000,000	20,000,000	19,500,000
TOTAL EXPENDITURES	20,000,000	20,000,000	20,000,000	19,500,000
EXPENDITURES BY FUND SOURCE				
General Fund	20,000,000	20,000,000	20,000,000	19,500,000
TOTAL EXPENDITURES	20,000,000	20,000,000	20,000,000	19,500,000

The 1990 Kentucky Education Reform Act provided for the establishment of a Kentucky Education Technology System (KETS). State funds for the development and implementation of KETS are appropriated to the Department of Education. These funds are then transferred during each fiscal year to the Education Technology Trust Fund where they are administered and invested by the Finance and Administration Cabinet. Funds from the Education Technology Trust Fund are withdrawn and expended based on guidelines established by the Education Technology Master Plan.

Policy

The Budget of the Commonwealth provides \$20,000,000 in funding for the KETS program in fiscal year 2005, an increase of \$1,891,300 from the revised FY 2004 appropriation. The enacted budget provides \$19,500,000 in funding for KETS in fiscal year 2006.